

# **CITY OF ALBUQUERQUE**



## **ANNUAL INFORMATION STATEMENT**

**DATED JANUARY 23, 2003**

**IN CONNECTION WITH BONDS AND**

**OTHER OBLIGATIONS**



**CITY OF ALBUQUERQUE**

**MAYOR**

Martin J. Chavez

**CITY COUNCIL**

Miguel A. Gomez	District 1
Vincent E. Griego (President)	District 2
Eric C. Griego	District 3
Brad Winter	District 4
Michael Cadigan	District 5
Hess Yntema	District 6
Sally Mayer	District 7
Greg Payne (Vice-President)	District 8
Tina L. Cummins	District 9

**ADMINISTRATION**

Jay Czar, Chief Administrative Officer  
Gail D. Reese, Chief Financial Officer  
James B. Lewis, Chief Operations Officer  
Nicholas Bakas, Chief Public Safety Officer  
Teri Baird, Chief of Staff

**DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES**

Sandra M. Doyle, CMA, Director  
Lou D. Hoffman, CCM, City Treasurer  
Cilia Aglialaro, Assistant Treasurer – Debt  
William B. Smith, CCM, Assistant Treasurer – Cash

**OFFICE OF MANAGEMENT AND BUDGET**

Anna Lamberson, PhD., Budget Officer  
Jacques Blair, PhD., City Economist  
Becky Snapka, CPA, Accounting Officer

**LEGAL DEPARTMENT**

Robert M. White, Esq., City Attorney  
Susan Biernacki, Esq., Assistant City Attorney

**BOND COUNSEL**

Sutin, Thayer & Browne, A Professional Corporation  
Albuquerque, New Mexico

**SPECIAL TAX COUNSEL**

Kutak Rock  
Denver, Colorado

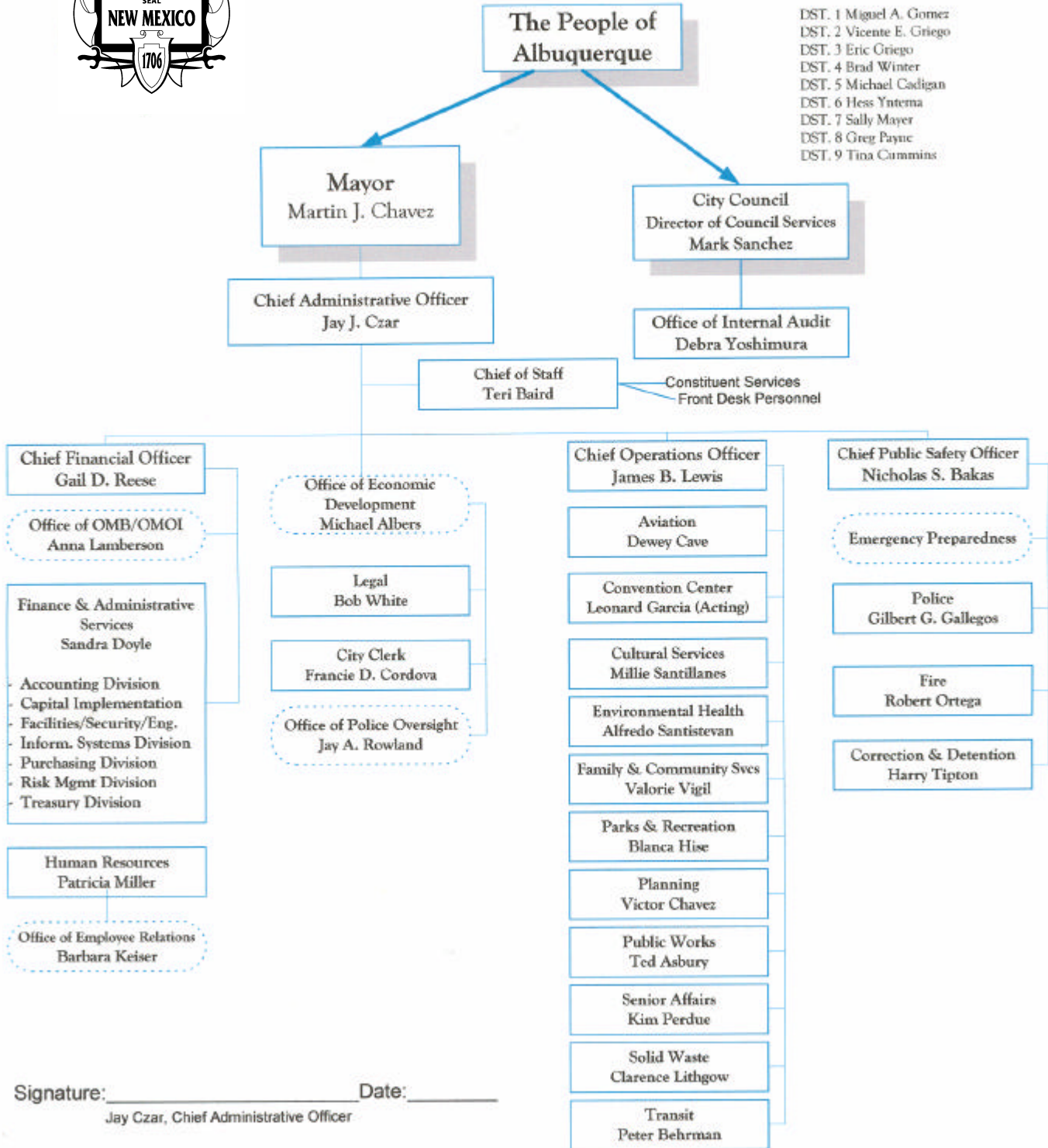
**DISCLOSURE COUNSEL**

Modrall, Sperling, Roehl, Harris & Sisk, P.A.  
Albuquerque, New Mexico



# City of Albuquerque

- DST. 1 Miguel A. Gomez
- DST. 2 Vicente E. Griego
- DST. 3 Eric Griego
- DST. 4 Brad Winter
- DST. 5 Michael Cadigan
- DST. 6 Hess Yntema
- DST. 7 Sally Mayer
- DST. 8 Greg Payne
- DST. 9 Tina Cummins



Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Jay Czar, Chief Administrative Officer

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**30, 2002**

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## INTRODUCTION

This “Annual Information Statement Dated January 23, 2003 in Connection with Bonds and Other Obligations” (the “Annual Statement”) has been prepared by the City of Albuquerque (the “City”) to provide, as of its date, certain financial and other information relating to the City, its various enterprise operations and its other projects, the revenues of which secure certain outstanding long-term obligations of the City. The Annual Statement is intended for use by existing holders of the City’s obligations and by investors in such obligations in the secondary market. The Annual Statement also includes the annual financial information and operating data which the City has agreed in certain continuing disclosure undertakings to provide on an annual basis for the benefit of its bondholders. See “CONTINUING DISCLOSURE UNDERTAKINGS.”

The City does not intend that the Annual Statement be relied on as specific offering information in connection with the primary offering and issuance by the City of bonds, notes or other obligations. Rather, concurrently with the offering by the City of each particular issue of its bonds, notes or other obligations, the City plans to distribute or make available the specific offering information relating to that issue, along with information updating or revising information contained in the Annual Statement, if material to the credit of the particular issue.

The information in the Annual Statement is subject to change without notice, and the delivery of the Annual Statement shall not create any implication that the affairs of the City have remained unchanged since the date of its delivery. The distribution of the Annual Statement by the City does not in any way imply that the City has obligated itself to update the information therein. The presentation of information, including tables of receipts from taxes, enterprise revenues and other information, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or its enterprises. No representation is made that past experiences, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

City Council actions taken after January 13, 2003, including information relating to bonds, notes or other obligations of the City issued or incurred after that date, are not included in the Annual Statement due to the uncertainty of their outcome at the date of publication. All financial and other information presented in the Annual Statement has been provided by the City from its records, except for information expressly attributed to other sources believed to be reliable.

Questions regarding information contained in the Annual Statement should be directed to Lou D. Hoffman, Treasurer, City of Albuquerque, Albuquerque/Bernalillo County Government Center, One Civic Plaza, NW, Albuquerque, New Mexico 87102 (P.O. Box 1293, Albuquerque, New Mexico 87103), Telephone (505) 768-3396, Fax (505) 768-3447. Official statements for outstanding bond issues of the City are also available upon request by contacting the City Treasurer’s Office. Information about the City, including copies of this Annual Information Statement and the City’s financial statements, may also be obtained through the City’s world wide web site, [www.cabq.gov](http://www.cabq.gov).

## CONTINUING DISCLOSURE UNDERTAKINGS

Pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC"), the City has entered into continuing disclosure undertakings (the "Disclosure Undertakings") for the benefit of holders of the following outstanding bonds of the City:

- (1) Refuse Removal and Disposal Refunding Revenue Bonds, Series 1995;
- (2) Joint Water and Sewer System Revenue Bonds, Series 1995;
- (3) Special Assessment District 221 Bonds, Issue of December 1, 1995;
- (4) General Obligation Bonds, Series 1996A and B;
- (5) Gross Receipts Tax Refunding Revenue Bonds, Series 1996;
- (6) General Obligation Bonds, Series 1997A and B;
- (7) Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 1997;
- (8) Joint Water and Sewer System Revenue Bonds, Series 1997;
- (9) General Obligation Bonds, Series 1998;
- (10) Refusal Removal and Disposal Revenue Bonds, Series 1998;
- (11) Governmental Purpose Airport Refunding Revenue Bonds, Series 1998;
- (12) General Obligation Bonds, Series 1999A, B and C;
- (13) Joint Water and System Refunding and Improvement Revenue Bonds, Series 1999A;
- (14) Special Assessment District No. 224 Bonds, Issue of February 1, 1999;
- (15) Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A;
- (16) Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B;
- (17) Gross Receipts Tax Refunding Revenue Bonds, Series 1999C;
- (18) Joint Water and Sewer System Refunding Revenue Bonds, Series 2000A;
- (19) General Obligation Bonds, Series 2000A and B;
- (20) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001;
- (21) Refuse Removal and Disposal Revenue Bonds, Series 2001 A and B;
- (22) General Obligation Bonds, Series 2001A and B;
- (23) Airport Refunding Revenue Bonds, Series 2001;
- (24) Joint Water and Sewer System Revenue Bonds, Series 2001;
- (25) General Obligation Taxable Baseball Stadium Bonds, Series 2001C;
- (26) General Obligation General Purpose Bonds, Series 2002B; and
- (27) General Obligation Storm Sewer Bonds, Series 2002C.

In each of such Disclosure Undertakings, the City has agreed to file certain annual financial information with the nationally recognized municipal securities information repositories approved by the SEC (the "NRMSIRs"). The information provided in the Annual Statement, together with the audited financial statements referred to below, satisfies the disclosure requirements for annual financial information to be provided pursuant to the Disclosure Undertakings and the City is filing the Annual Statement with each of the NRMSIRs recognized as of this date. Pursuant to the Disclosure Undertakings, the City was required to file its annual audited financial statements for the year ended June 30, 2002, no later than December 31, 2002. Such financial statements have been completed and released from the State Auditor's Office for printing. The City expects the financial statements to be printed on or about January 29, 2003, at which point the City will file them with the NRMSIRs. Other than the delay in



filing such financial statements, the City is currently in compliance with all of the requirements of the Disclosure Undertakings.

## **OUTSTANDING CITY OBLIGATIONS**

### **Summary and Certain Terms of Outstanding Obligations**

The City has issued and there are outstanding certain general obligation bonds payable from property tax revenues, obligations payable from State and municipal gross receipts tax revenues, obligations payable from net revenues of various City enterprise operations, bonds payable from special property assessments which are further secured by pledged revenues, and certain single family and multifamily housing obligations. These outstanding obligations are generally described below and certain terms of such obligations are also summarized in Note 10 to the City's Audited General Purpose Financial Statements, a portion of which is attached hereto as Appendix A. Other information relating to the City's outstanding obligations, including information about debt service coverage ratios, can be obtained from the Comprehensive Audited Financial Report of the City of Albuquerque Audited General Purpose Financial Statements as of and for the Fiscal Year ended June 30, 2002 ("CAFR"), which, after February 15, 2003, can be viewed at and downloaded from the City's website, [www.cabq.gov](http://www.cabq.gov). Certain of these obligations are further secured by municipal bond insurance, letters of credit and other credit enhancement provided by various entities as described in "Credit Enhancement and Interest Rate Risk Management" below. The City has also acted as the issuer of bonds payable solely from loan or lease payments made by conduit borrowers and not payable by the City from any of its revenues or assets, as described in "Conduit Bonds" below.

### **Tax-Supported Obligations**

#### *General Obligation Debt*

Outstanding General Obligation Bonds. The City presently has outstanding nine series of general purpose general obligation bonds, including a series of general obligation taxable baseball stadium bonds, in an outstanding aggregate principal amount of \$112,885,000, and eight series of storm sewer system general obligation bonds, in an outstanding aggregate principal amount of \$47,170,000. In a regular municipal election on October 2, 2001, the voters approved the future issuance of \$116,558,000 of general purpose general obligation bonds and \$15,045,000 of storm sewer system general obligation bonds, of which the City has issued \$31,000,000 and expects to issue the remaining \$100,000,000 in the spring or summer of 2003.

**City of Albuquerque  
Outstanding General Obligation Bonds**

<u>Issue<sup>(1)</sup></u>	<u>Principal Amount Of Original Issue</u>	<u>Currently Outstanding</u>
<u>General Purpose G.O. Bonds:</u>		
February 1996	\$ 23,025,000	\$ 4,000,000
January 1997	44,620,000	10,100,000
February 1998	38,030,000	12,620,000
February 1999	16,870,000	8,000,000
August 1999	24,105,000	14,000,000
July 2000	44,080,000	2,850,000
September 2001	46,315,000	34,315,000
December 2001	10,000,000	8,000,000
February 2002	<u>20,000,000</u>	<u>19,000,000</u>
 Total	 <u>\$267,045,000</u>	 <u>\$112,885,000</u>
 <u>Water, Sewer and Storm Sewer G.O. Bonds:</u>		
March 1994	\$ 15,000,000	\$ 9,000,000
February 1996	3,500,000	3,500,000
January 1997	6,700,000	6,700,000
February 1998	6,350,000	6,350,000
February 1999	4,760,000	4,760,000
July 2000	6,750,000	6,750,000
September 2001	4,510,000	4,510,000
February 2002	<u>5,600,000</u>	<u>5,600,000</u>
 Total	 <u>\$ 53,170,000</u>	 <u>\$ 47,170,000</u>
 <b>Total General Obligation Bonds</b>	 <b><u>\$320,215,000</u></b>	 <b><u>\$160,055,000</u></b>

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

The Constitution of the State of New Mexico (the "State") limits the amount of general purpose general obligation indebtedness of the City to 4% of the assessed value of taxable property within the City. Based on the most recent assessed value of the City of \$7,619,420,780 as shown below, the City may issue \$191,891,831 aggregate principal amount of general purpose general obligation bonds in the future.

**City of Albuquerque  
Test for Maximum General Purpose G.O. Bonds**

4% of Assessed Value of \$7,619,420,780*	\$304,776,831
Outstanding (General Purpose subject to 4% limitation)	<u>\$112,885,000</u>
Available for Future Issues	<u>\$191,891,831</u>

\* See the table below entitled "Assessed Valuation County Tax Year 2001 (Fiscal Year 2002)."

**City of Albuquerque  
Assessed Valuation  
County Tax Year 2001 (Fiscal Year 2002)**

Market Value of Property Assessed	\$26,839,255,071 <sup>(1)</sup>
Taxable Value of Property Assessed (1/3 Market Value)	
Locally Assessed	\$ 8,585,229,325
Less Exemptions	\$(1,326,997,577)
Plus Centrally Assessed (Corporate)	\$ <u>361,189,032</u>
Certified Net Tax Base <sup>(2)</sup>	<u>\$ 7,619,420,780</u>

(1) Reflects market values submitted to the State by the County Assessor prior to properties assessed late. Value shown was used to assess property taxes for the tax year. Current values could vary from value shown.

(2) This Certified Net Tax Base is based on information received from the County Assessor's Office. Taxable value is determined by dividing market value by three and subtracting exemptions.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

**City of Albuquerque  
Direct and Overlapping General Obligation Debt**

Gross G.O. Bonded Debt <sup>(1)</sup>	\$160,055,000
Less G.O. Sinking Fund Balance (November 30, 2002)	<u>19,511,312</u>
Net G.O. Bonded Debt	<u><u>\$140,543,619</u></u>

	<u>G.O. Debt</u>	Tax Year 2002 <u>Assessed Valuation</u>	% Applicable <u>to City</u>	Net <u>Overlapping</u>
City of Albuquerque	\$140,543,619	\$7,619,420,780	100.00%	\$140,543,619
Albuquerque Public Schools	105,380,000	9,476,140,054	80.41	84,732,239
Albuquerque Metropolitan Arroyo Flood Control Authority	19,925,000	8,954,532,466	85.09	16,954,203
Albuquerque Technical- Vocational Institute	30,530,000	9,302,043,851	81.91	25,007,506
Bernalillo County	65,675,000	9,351,411,056	81.48	53,511,225
State of New Mexico	200,287,000	27,470,761,996	27.74	<u>55,552,552</u>
Total Direct and Overlapping G.O. Debt				<u><u>\$376,301,343</u></u>

**Ratios:**

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	4.94%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.40%
Assessed Valuation Per Capita (2002 Estimated Population - 461,835)	\$16,498.14
Direct and Overlapping G.O. Debt Per Capita	\$ 814.80

(1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities fully guaranteed by the United States Government in an amount required to pay all principal and interest on the refunded bonds as they come due.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

**City of Albuquerque**  
**Ratio of Net General Obligation Debt To Taxable Value**  
**And Net General Obligation Debt Per Capita**

**General Obligation Debt**

Fiscal Year	Population <sup>(1)</sup>	Taxable Value(000s) <sup>(2)</sup>	Total G.O. Debt (000s)	Debt Service Fund(000s) <sup>(3)</sup>	Net G.O. Debt (000s)	Ratio of Net	Net G. O.
						G.O. Debt To Taxable Value	Debt Per Capita
1993	406,440	\$ 4,197,400	\$ 156,875	\$ 7,478	\$ 149,397	3.56%	\$ 367.57
1994	413,749	4,248,391	211,175	4,796	206,379	4.86	498.80
1995	418,839	4,312,210	176,315	3,970	172,345	4.00	411.48
1996	420,527	5,077,321	168,170	10,476	157,694	3.11	374.99
1997	420,907	5,184,693	172,155	7,849	164,306	3.17	390.36
1998	421,384	5,469,636	169,165	7,833	161,331	2.95	382.86
1999	420,578	5,656,901	152,825	12,114	140,711	2.49	334.57
2000	446,871 <sup>(4)</sup>	6,856,281	138,180	24,832	113,348	1.65	253.65
2001	454,015 <sup>(4)</sup>	6,900,701	117,440	10,707	106,733	1.55	235.09
2002	461,835 <sup>(4)</sup>	7,619,421	160,055	19,511	140,544	1.85	304.32

- (1) All population numbers provided by the U.S. Department of Commerce, Bureau of the Census unless otherwise noted.  
(2) Assessment made by elected County Assessor. The taxable ratio by State statute is one-third of assessed value.  
(3) Available for debt service.  
(4) Estimated by City of Albuquerque Planning Division.  
Source: City of Albuquerque, Department of Finance and Administrative Services (unless otherwise noted).

**City of Albuquerque**  
**Aggregate Debt Service**  
**for Outstanding General Obligation Bonds<sup>1</sup>**

Fiscal Year	Principal	Interest	Total Debt Service
2003	\$ 33,245,000	\$ 7,564,067	\$ 40,809,067
2004	24,220,000	6,062,953	30,282,953
2005	24,220,000	4,938,153	29,158,153
2006	20,760,000	3,752,653	24,512,653
2007	16,590,000	2,745,653	19,335,653
2008	13,590,000	1,951,703	15,541,703
2009	11,210,000	1,296,313	12,506,313
2010	9,210,000	761,813	9,971,813
2011	<u>7,010,000</u>	<u>310,063</u>	<u>7,320,063</u>
<b>TOTAL</b>	<b>\$160,055,000</b>	<b>\$29,383,367</b>	<b>\$189,438,367</b>

- (1) See table entitled "City of Albuquerque Outstanding General Obligation Bonds" under this caption.  
Source: City of Albuquerque, Department of Finance and Administrative Services.

**City of Albuquerque**  
**Historical General Obligation Bond Debt Service**  
**as a Percent of Total General Fund Expenditures**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures (Excluding GO Debt Service)<sup>(1)</sup></u>	<u>Debt Service as a % of Total General Fund Expenditures (Excluding GO Debt Service)</u>
1993	\$29,925,000	\$11,015,364	\$40,940,364	\$212,576,033	19.3%
1994	35,886,267	8,872,450	44,758,717	233,293,114	19.2
1995	34,860,000	10,828,981	45,688,981	265,271,055	17.2
1996	34,670,000	9,363,829	44,033,829	266,366,046	16.5
1997	47,335,000	9,323,348	56,658,348	286,735,538	19.8
1998	47,370,000	9,241,602	56,611,602	303,158,434	18.7
1999	37,970,000	8,614,288	46,584,288	297,841,293	15.6
2000	38,750,000	8,357,440	47,107,440	300,822,796	15.7
2001	71,570,000	9,046,715	80,616,715	320,852,941	25.1
2002	49,810,000	8,215,773	58,025,773	321,223,348	18.1

(1) Includes transfers and other financing uses

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

**Current Ratings of the General Obligation Bonds.** The City’s outstanding general obligation bonds are currently rated “Aa3” by Moody’s Investors Service, Inc. (“Moody’s”), “AA” by Standard & Poor’s Ratings Service (“S&P”) and “AA” by Fitch, Inc. (“Fitch”). The assigned ratings reflect only the respective views of the rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City’s general obligation bonds.

*State Gross Receipts Tax Obligations*

**Outstanding State Gross Receipts Tax Obligations.** The City presently has outstanding the following series of special limited obligations and loans secured by a pledge of revenues received by the City as a distribution from the State of the City’s share of the State gross receipts tax. The pledge securing the City’s Gross Receipts Tax Refunding Revenue Bonds, Series 1996 (sometimes referred to as “Old Lien Tax Obligations”) is made as to tax revenues produced by the 1% portion of the 1.225% tax applied to gross receipts in the City and distributed to the City by the State as described in “FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Tax.” The City’s Gross Receipts Tax Refunding Revenue Bonds, Series 1999C, Variable Rate Taxable Gross Receipts Tax Improvement Revenue Bonds, Series 2000A, Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001, and the three New Mexico Finance Authority Loans are secured by a pledge of the revenues the City receives from the entire 1.225% distribution from the State (and are sometimes referred to herein as “New Lien Tax Obligations”).

**City of Albuquerque  
Outstanding State Gross Receipts Tax Obligations**

<u>Issue</u> <sup>(1)</sup>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Gross Receipts Tax Refunding Revenue Bonds, Series 1996 <sup>(2)</sup>	Refunding	\$18,315,000	\$10,885,000	N/A	7/1/08 @ 100%
Gross Receipts Tax Refunding Revenue Bonds, Series 1999C	Refunding	\$27,130,000	\$27,130,000	N/A	7/1/09 @ 100%
Taxable Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 2000A	Parking Structures	\$25,600,000	\$25,600,000	MBIA Surety	Callable on any interest payment date at 100%
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 <sup>(3)</sup>	Golf Course Facilities	\$2,420,000	\$ 2,295,000	N/A	7/1/06 @ 100%
New Mexico Finance Authority Helicopter Loan	Police Helicopter	\$ 700,000	\$ 573,688	N/A	Callable on any interest payment date after April 25, 2002
New Mexico Finance Authority Stadium Taxable Loan No. 1 (2002) <sup>(4)</sup>	Baseball Stadium	\$6,000,000	\$ 6,000,000	N/A	Callable on any interest payment date after October 4, 2003
New Mexico Finance Authority Stadium Taxable Loan No. 2 (2002) <sup>(5)</sup>	Baseball Stadium	\$9,000,000	\$ <u>9,000,000</u>	N/A	Callable on any interest payment date after December 27, 2003
<b>Total Outstanding State Gross Receipts Tax Obligations</b>			<b><u>\$81,483,688</u></b>		

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) These bonds are also payable from certain allocated net revenues of the City's parking and airport systems.
- (3) These bonds are also payable from net revenues of the City's golf courses. State gross receipts tax revenues will only be used to pay debt service on these bonds to the extent that net revenues from the City's golf courses are not available to pay such debt service.
- (4) This loan is also payable from lease payments due to the City from the lessee of the baseball stadium.
- (5) This loan is also payable from surcharges imposed on ticket sales, concessions and other goods and services sold at the baseball stadium.

The City has also pledged its share of the State gross receipts tax, on a basis subordinate to the outstanding State gross receipts tax obligations discussed above, to secure its payment

obligations under a surety bond reimbursement agreement entered into by the City and MBIA Insurance Corporation (“MBIA”) in connection with the provision by MBIA of a surety bond securing certain payments on the City’s Affordable Housing Projects Refunding Revenue Bonds, Series 2000. See “Credit Enhancement and Interest Rate Risk Management” below.

Outstanding State Gross Receipts/Lodgers’ Tax Bonds. The City has outstanding the following three series of special limited obligations secured by a pledge of both State gross receipts tax revenues distributed to the City by the State as described in “FINANCIAL INFORMATION - Gross Receipts Tax - State Gross Receipts Tax” and 50% of the revenues received by the City from the 5% lodgers’ tax levied as described in “FINANCIAL INFORMATION - Lodgers’ Tax.” With respect to the pledge of State gross receipts tax revenues distributed to the City, the City has pledged the revenues produced by (i) the 1 % portion of the 1.225% tax to secure its Gross Receipts/Lodgers Tax Refunding and Improvement Bonds Series 1991B and its Gross Receipts/Lodgers’ Tax Adjustable Tender Revenue Bonds, Series 1995 and (ii) the entire 1.225% tax to secure its Gross Receipts/Lodgers’ Tax Refunding Revenue Bonds Series 1999B.

**City of Albuquerque  
Outstanding State Gross Receipts/Lodgers’ Tax Bonds**

<u>Issue<sup>(1)</sup></u>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Gross Receipts/Lodgers’ Tax Refunding and Improvement Bonds, Series 1991B <sup>(2)</sup>	Refunding and Convention Center	\$20,095,587	\$18,883,075	N/A	7/1/11 @ 103%
Gross Receipts/Lodgers’ Tax Adjustable Tender Revenue Bonds, Series 1995 <sup>(3)</sup>	Convention Center and Plaza Improvements	\$ 6,700,000	\$ 1,500,000	N/A	Callable on any interest payment date @ 100%
Gross Receipts/Lodgers’ Tax Refunding Revenue Bonds, Series 1999B	Refunding	\$45,335,000	<u>\$45,335,000</u>	N/A	7/1/09 @ 100%

**Total Outstanding State Gross Receipts/Lodgers’ Tax Obligations \$65,718,075**

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) These bonds were issued as capital appreciation bonds. The amount shown as outstanding is the accreted value of the bonds as of January 1, 2003.
- (3) These bonds are supported by a letter of credit issued by Bank of America, N.A., as described in “Credit Enhancement and Insurance Rate Risk Management” under this caption.



Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total combined debt service estimated for all outstanding bonds of the City payable from State gross receipts tax revenues (as described above).

**City of Albuquerque**  
**Estimated Total Combined Debt Service**  
**Outstanding State Gross Receipts Tax Obligations**

Old Lien Tax Obligations <sup>(1)</sup>			New Lien Tax Obligations <sup>(1)</sup>								Total
Calendar Year	Series 1991B <sup>(2)(4)</sup>	Series 1995 <sup>(3)(4)(6)</sup>	Series 1996	Series 1999B <sup>(4)</sup>	Series 1999C	Series 2000A <sup>(5)</sup>	Taxable Series 2001 <sup>(7)</sup>	NMFA Helicopter Loan	NMFA Stadium Loan No. 1 <sup>(8)</sup>	NMFA Stadium Loan No. 2 <sup>(9)</sup>	Estimated Total Combined Debt Service Requirements
2003	\$ 895,000	\$ 225,000	\$1,159,250	\$ 2,258,130	\$ 1,355,213	\$ 3,372,000	\$ 346,769	\$157,116			\$ 9,768,477
2004	1,035,000	225,000	1,583,500	2,258,130	1,355,213	3,836,000	345,269	157,128	\$ 490,822	\$ 670,914	11,956,975
2005	1,195,000	225,000	1,585,000	2,258,130	1,355,213	4,240,000	347,669	157,140	490,833	670,928	12,524,912
2006	1,360,000	225,000	1,583,750	2,258,130	1,355,213	4,684,000	343,888	157,154	490,847	670,944	13,128,925
2007	1,535,000	225,000	1,589,750	2,258,130	1,355,213	4,656,000	344,200	--	490,863	670,963	13,125,119
2008	1,705,000	225,000	1,587,500	2,258,130	1,355,213	4,504,000	342,950	--	490,881	670,987	13,139,660
2009	2,115,000	225,000	1,592,250	2,258,130	1,355,213	4,340,000	345,460	--	490,902	671,013	13,392,968
2010	2,940,000	225,000	1,593,500	2,258,130	1,355,213	4,364,000	341,650	--	490,925	671,043	14,239,460
2011	2,940,000	225,000	1,601,250	2,258,130	1,355,213	4,052,000	346,775	--	490,950	671,074	13,940,392
2012	2,940,000	225,000	--	2,568,130	1,355,213	3,940,000	--	--	490,976	671,109	12,190,428
2013	2,940,000	225,000	--	2,748,870	1,355,213	4,004,000	--	--	491,005	671,148	12,435,235
2014	2,940,000	225,000	--	2,940,135	1,855,213	3,920,000	--	--	491,036	671,188	13,042,571
2015	2,940,000	225,000	--	3,135,935	3,956,463	--	--	--	491,069	671,229	11,419,696
2016	2,940,000	225,000	--	3,329,860	4,533,650	--	--	--	491,104	671,275	12,190,889
2017	2,940,000	225,000	--	3,531,550	4,538,300	--	--	--	491,142	671,322	12,397,314
2018	2,940,000	225,000	--	3,745,500	4,533,500	--	--	--	491,182	671,373	12,606,555
2019	885,000	225,000	--	5,963,750	4,593,500	--	--	--	491,225	671,426	12,829,901
2020	--	225,000	--	7,051,750	4,606,250	--	--	--	491,271	671,484	13,045,755
2021	--	225,000	--	7,350,250	4,543,888	--	--	--	491,321	671,545	13,282,004
2022	--	225,000	--	7,550,500	1,105,113	--	--	--	491,374	671,610	10,043,597
2023	--	1,725,000	--	2,231,000	--	--	--	--	491,430	671,678	5,119,109
2024	--	--	--	8,151,500	--	--	--	--	491,491	671,751	9,314,742
2025	--	--	--	8,452,500	--	--	--	--	491,556	671,827	9,615,884
2026	--	--	--	--	--	--	--	--	491,626	671,909	1,163,535
<b>Total</b>	<b>\$37,185,000</b>	<b>\$6,225,000</b>	<b>\$13,875,750</b>	<b>\$89,074,401</b>	<b>\$49,173,213</b>	<b>\$49,912,000</b>	<b>\$3,104,629</b>	<b>\$628,539</b>	<b>\$ 11,295,831</b>	<b>\$ 15,439,741</b>	<b>\$275,914,103</b>

- (1) Only the 1.00% portion of the 1.225% of the State gross receipts tax revenues is pledged to the Old Lien Tax Obligations. The full 1.225% has been pledged to the New Lien Tax Obligations.
- (2) Accreted values shown.
- (3) Interest for the Series 1995 Bonds has been calculated at an assumed annual rate of 15%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 1995 Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rate.
- (4) Payable from both State gross receipts tax revenues and lodgers' tax revenues.
- (5) Interest for the Series 2000A Bonds has been calculated at an assumed annual rate of 12%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 2000A Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rate.
- (6) Bonds in the principal amount of \$300,000 were redeemed on November 4, 2002.
- (7) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001.
- (8) New Mexico Finance Authority Lease Revenue/Gross Receipts Tax Stadium Loan (October 4, 2002).
- (9) New Mexico Finance Authority Surcharge Revenue/Gross Receipts Tax Stadium Loan (December 27, 2002).

The State gross receipts tax revenues of the City attributable to the 1.225% levy for Fiscal Year 2002 were \$136,655,396. See “FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes.” The maximum estimated calendar year combined debt service requirements for the outstanding State gross receipts tax obligations of the City as shown in the preceding table are estimated to be \$14,239,460 (occurring in calendar year 2010). The coverage ratio of the Fiscal Year 2002 State gross receipts tax revenues (\$136,655,396) to such maximum estimated calendar year combined debt service requirements (\$14,239,460) would be 9.59x.

Current Ratings of State Gross Receipts Tax Bonds. The City’s outstanding State gross receipts tax bonds are currently rated “A1” by Moody’s, “AA” by S&P, and “AA” by Fitch. The assigned ratings reflect only the respective views of the rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City’s State gross receipts tax bonds. These ratings are only the long-term ratings of the City with respect to these bonds and would not apply to such bonds bearing a short-term interest rate. In addition, certain of these bonds (which includes two series of the outstanding State gross receipts/lodgers’ tax bonds) are credit enhanced and therefore have a different rating, which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

*Municipal Gross Receipts Tax Bonds*

Outstanding Municipal Gross Receipts Tax Bonds. The City presently has outstanding the following two series of special limited obligations secured by the municipal gross receipts tax revenues received by the City as described in “FINANCIAL INFORMATION -Gross Receipts Taxes - Municipal Gross Receipts Tax.”

**City of Albuquerque  
Outstanding Municipal Gross Receipts Tax Bonds**

<u>Issue<sup>(1)</sup></u>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Municipal Gross Receipts Refunding Revenue Bonds, Series 1992	Refunding	\$11,420,000	\$ 5,885,000	N/A	7/1/02 @ 102%
Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A	Refunding	\$ 6,070,000	\$ <u>5,465,000</u>	N/A	7/1/09 @ 100%

**Total Outstanding Municipal Gross Receipts Tax Bonds      \$11,350,000**

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total combined debt service estimated to be payable for the outstanding municipal gross receipts tax bonds of the City.

**City of Albuquerque  
Total Combined Debt Service  
Outstanding Municipal Gross Receipts Tax Bonds**

Calendar Year	<u>Series 1992 Bonds</u>		<u>Series 1999A Bonds</u>		Estimated Total Combined <u>Debt</u> <u>Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2003	\$1,040,000	\$ 363,633	\$ 320,000	\$ 247,993	\$ 1,971,625
2004	1,105,000	301,233	335,000	235,993	1,977,225
2005	1,170,000	233,828	345,000	223,095	1,971,923
2006	1,245,000	161,288	360,000	209,468	1,975,755
2007	1,325,000	83,475	375,000	194,888	1,978,363
2008	--	--	395,000	176,138	571,138
2009	--	--	415,000	156,388	571,388
2010	--	--	435,000	135,638	570,638
2011	--	--	450,000	116,498	566,498
2012	--	--	475,000	96,248	571,248
2013	--	--	495,000	74,398	569,398
2014	--	--	520,000	51,133	571,133
2015	--	--	<u>545,000</u>	<u>26,433</u>	<u>571,433</u>
Total	<u>\$5,885,000</u>	<u>\$1,143,457</u>	<u>\$5,465,000</u>	<u>\$1,944,311</u>	<u>\$14,437,765</u>

The municipal gross receipts tax (0.5%) revenues of the City for Fiscal Year 2002 were \$55,034,047. See “FINANCIAL INFORMATION - Gross Receipts Taxes - Municipal Gross Receipts Tax.” The maximum calendar year combined debt service requirements for the outstanding municipal gross receipts tax bonds of the City are estimated to be \$1,978,363 (occurring in calendar year 2007). The coverage ratio of the Fiscal Year 2002 municipal gross receipts tax revenues (\$55,034,047) to such maximum calendar year combined debt service requirements (\$1,978,363) would be 27.82x.

Current Ratings of Municipal Gross Receipts Tax Bonds. Both series of the City’s outstanding municipal gross receipts tax bonds are credit enhanced and therefore have a rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption. The assigned ratings reflect only the respective views of the rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City’s municipal gross receipts tax bonds.

*Debt Calculations for Tax-Supported Obligations*

The following table summarizes (i) the total outstanding obligations of the City as of January 1, 2003 payable from general fund tax revenues, (ii) the property tax debt of certain overlapping jurisdictions and the per capita debt resulting from such aggregate outstanding amounts as of such date.

**City of Albuquerque  
Debt Calculations for Tax-Supported Obligations**

	Total <u>Outstanding</u>	Per Capita - Population of <u>461,835<sup>(1)</sup></u>
<u>General Obligation Debt</u>		
Net Direct G.O. Debt <sup>(2)</sup>	\$140,543,619	\$ 304.32
Overlapping Jurisdiction G.O. Debt <sup>(3)</sup>	<u>235,757,724</u>	<u>510.48</u>
Total Direct and Overlapping G.O. Debt	\$ <u>376,301,343</u>	\$ <u>814.80</u>
<u>Special Tax Obligations</u>		
State Gross Receipts Tax Bonds <sup>(4)</sup>	\$ 81,483,688	\$ 176.43
State Gross Receipts/Lodgers' Tax Bonds <sup>(5)</sup>	65,718,075	142.30
Municipal Gross Receipts Tax Bonds <sup>(6)</sup>	11,350,000	24.58
SAD Bonds - Pledged Gasoline Tax Subseries <sup>(7)</sup>	<u>1,545,000</u>	<u>3.35</u>
Direct Special Tax Obligations	<u>160,096,763</u>	<u>346.66</u>
<b>TOTAL OVERALL TAX-     SUPPORTED OBLIGATIONS</b>	<b><u>\$536,398,106</u></b>	<b><u>\$1,161.46</u></b>

(1) Population estimated by the City of Albuquerque Planning Division.

(2) See table entitled "City of Albuquerque Outstanding General Obligation Bonds" and "Direct and Overlapping General Obligation Debt" under this caption.

(3) See table entitled "Direct and Overlapping General Obligation Debt" under this caption.

(4) See table entitled "City of Albuquerque Outstanding State Gross Receipts Tax Bonds" under this caption.

(5) See table entitled "City of Albuquerque Outstanding State Gross Receipts/Lodgers' Tax Bonds" under this caption.

(6) See table entitled "City of Albuquerque Outstanding Municipal Gross Receipts Tax Bonds" under this caption.

(7) See "Outstanding Special Assessment District Bonds" under this caption.

**Enterprise Obligations**

*Airport Revenue Bonds*

Outstanding Airport Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the Albuquerque International Sunport ("Airport"). See "ENTERPRISE OPERATIONS - Albuquerque International Sunport."

**City of Albuquerque  
Outstanding Airport Revenue Bonds**

<u>Issue</u> <sup>(1)</sup>	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u> <sup>(2)</sup>	<u>Optional Redemption Provisions</u> <sup>(3)</sup>
Airport Revenue Bonds, Series 1995B <sup>(4)</sup>	Airport improvements	\$14,340,000	\$ 685,000	\$ 224,070	1/1/97 @ 100%
Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Refunding Series 1995 <sup>(4)(5)</sup>	Refunding	67,000,000	53,000,000	6,700,000	Callable on any interest payment date @100%
Airport Refunding Revenue Bonds, Series 1997 <sup>(4)</sup>	Refunding	33,310,000	29,335,000	Ambac surety	A)7/1/07 through 6/30/08 @ 102% B)7/1/08 through 6/30/09 @101% C)7/1/09 and thereafter @100% 7/1/08 @ 100%
Airport Refunding Revenue Bonds, Series 1998 <sup>(4)</sup>	Refunding	42,685,000	40,785,000	Ambac surety	7/1/08 @ 100%
Airport Refunding Revenue Bonds, Series 2000 A & B	Road Improvements and Rental Car Facility	47,200,000	46,300,000	Ambac surety	Callable on any interest payment date @ 100%
Subordinate Lien Adjustable Rate Airport Revenue Bonds, Series 2001 <sup>(4)(5)</sup>	Refunding	42,550,000	\$ <u>42,330,000</u>	Ambac surety	7/1/11 @ 100%
<b>Total Airport Revenue Bonds</b>			<b><u>\$212,435,000</u></b>		

(1) The CUSIP numbers for each maturity listed on this table are shown on Appendix B hereto.

(2) As of December 1, 2002.

(3) These bonds are also subject to mandatory redemption at par on the dates and under certain circumstances relating to damage to or destruction of the Airport or condemnation of all or a part of the Airport as described in the bond documents relating to such bonds.

(4) Ambac Assurance Corporation has provided its bond insurance policy in connection with these bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

(5) These bonds are payable from net revenues of Albuquerque International Sunport on a subordinate parity lien basis vis-à-vis the other outstanding Airport revenue bonds, which are sometimes referred to herein as "Senior Parity Obligations." See also "Credit Enhancement and Interest Rate Risk Management" under this caption for a description of certain credit enhancement relating to these bonds and an exchange agreement relating to the Series 1995 Bonds.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the estimated total combined debt service payable for the outstanding Airport revenue bonds of the City.

**City of Albuquerque  
Estimated Total Combined Debt Service  
Outstanding Airport Revenue Bonds**

Calendar Year	Outstanding Senior Parity Obligations				Outstanding Subordinate Parity Obligations		Estimated Total Combined Requirements
	Series 1995B Bonds	Series 1997 Refunding Bonds	Series 1998 Bonds	Series 2001 Refunding Bonds	Subordinate Series 1995 Bonds <sup>(1)</sup>	Series 2000 A & B Bonds <sup>(2)</sup>	
2003	\$114,870	\$ 3,023,296	\$3,547,189	\$ 3,184,370	\$ 6,243,050	\$ 7,041,000	\$ 23,153,775
2004	140,460	3,024,546	3,546,589	3,842,250	6,262,555	7,005,000	23,821,400
2005	174,060	3,021,421	3,551,684	4,479,180	6,368,690	6,969,000	24,564,035
2006	189,960	3,023,921	3,546,924	5,312,200	6,454,770	7,533,000	26,060,775
2007	224,070	3,018,121	3,573,299	5,138,200	6,520,795	7,907,000	26,381,485
2008	--	3,027,121	3,574,234	4,964,200	6,566,765	8,106,000	26,238,320
2009	--	3,029,621	3,579,474	4,790,200	6,592,680	8,345,000	26,336,975
2010	--	3,021,621	3,568,399	4,994,040	6,698,540	8,509,000	26,791,600
2011	--	3,011,871	3,571,279	3,769,350	6,777,660	8,101,000	25,231,160
2012	--	3,020,034	3,568,748	3,770,463	6,830,040	7,793,000	24,982,284
2013	--	3,014,421	3,578,323	3,768,513	6,955,680	7,570,000	24,886,936
2014	--	3,018,096	3,575,683	3,768,231	7,147,895	7,317,000	24,826,905
2015	--	3,023,165	3,575,945	3,769,081	--	6,934,000	17,302,191
2016	--	3,018,990	3,573,500	3,760,525	--	6,736,000	17,089,015
2017	--	3,022,495	3,571,500	--	--	6,293,000	12,886,995
2018	--	3,019,610	3,572,250	--	--	6,135,000	12,726,860
2019	--	--	3,575,250	--	--	5,720,000	9,295,250
2020	--	--	--	--	--	5,275,000	5,275,000
Total	\$843,420	\$48,338,353	\$60,650,266	\$59,310,803	\$79,419,120	\$129,289,000	\$377,850,961

(1) The interest rate payable by the City for the Subordinate Series 1995 Bonds has been calculated at 6.685% per annum pursuant to the interest rate exchange agreement entered into by the City in connection with its issuance of the Subordinate Series 1995 Bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

(2) The interest payable by the City for the Subordinate Series 2000A & B Bonds has been calculated at assumed annual interest rates of 12% and 15%, respectively, the maximum bond interest rates under the bond ordinance pursuant to which the Subordinate Series 2000A & B Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rates. The City redeemed Series 2000B Bonds in the principal amount of \$500,000 in December 2002.

In the ordinances pursuant to which the City's Airport revenue bonds have been issued, the City has agreed to charge all users of the Airport such reasonable rates as are sufficient to produce net revenues (as adjusted in accordance with the ordinances) annually to pay 120% of the debt service requirements on all outstanding Senior Parity Obligations ("Test No. 1") and 110% of the debt service requirements on all outstanding Airport revenue bonds ("Test No. 2"). The net revenues of the Airport for Fiscal Year 2002, as shown in the City's Comprehensive Annual Financial Report (the "CAFR"), were \$38,056,916. See "ENTERPRISE OPERATIONS - Albuquerque International Sunport - Airport Financial Information - Historical Financial Information." This amount is adjusted as follows to conform amounts presented as net revenues in the CAFR to the definition of Net Revenues in the ordinances and the calculation of debt service under Test No. 1 and Test No. 2: (a) for both Test No. 1 and Test No. 2, interest earned on the capital fund, adjustments for the market value of investments required to be included in

the CAFR pursuant to GASB 41, and certain other miscellaneous revenues in the capital fund and debt service fund are excluded; and (b) in addition, for Test No. 1 only, interest earned on the debt service fund is excluded. The maximum estimated calendar year combined debt service requirements for all outstanding Senior Parity Obligations are estimated to be \$12,073,055 (occurring in calendar year 2006). With respect to Test No. 1, the coverage ratio of the adjusted net revenues for the Airport for Fiscal Year 2002 (\$36,381,282) to such maximum estimated calendar year debt service requirements is 2.98x. The maximum estimated calendar year combined debt service requirements for the outstanding Airport revenue bonds are estimated to be \$26,791,600 (occurring in calendar year 2010). With respect to Test No. 2, the coverage ratio of the adjusted net revenues of the Airport for Fiscal Year 2002 (\$38,056,916) to such maximum estimated calendar year debt service requirements is 1.42x (occurring in calendar year 2010). For Fiscal Year 2002, the actual debt service ratio for Test No. 1 is equal to 3.61x, and the ratio for Test No. 2 is equal to 2.56x.

Current Ratings of the Airport Revenue Bonds. The City's outstanding Airport revenue bonds which are Senior Parity Obligations are currently rated "A1" by Moody's, "A+" by S&P and "A+" by Fitch. These ratings reflect only the views of the respective rating agencies and represent the long-term ratings which are not applicable to any such bonds bearing short term interest rates. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City's Airport revenue bonds.

The City's outstanding Airport revenue bonds which are Subordinate Parity Obligations have not received a rating based on the credit of the City but are credit enhanced and therefore have received a rating based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

As a result of the events of September 11, 2001, on September 20, 2001, S&P placed all of its North American airport and airport-related special facility ratings, including those of the Airport, on Credit Watch with negative implications. On July 26, 2002 S&P removed the Airport from Credit Watch and categorized it as stable outlook.

#### *Joint Water and Sewer System Obligations*

Outstanding Joint Water and Sewer System Obligations. The City presently has outstanding the following nine series of special limited obligations secured on a parity basis by net revenues of the City's joint water and sewer system. See "ENTERPRISE OPERATIONS - Joint Water and Sewer System." The City is applying for an additional loan of \$7,000,000 from the New Mexico Finance Authority, which will be a joint water and sewer system parity obligation.



**City of Albuquerque**  
**Outstanding Joint Water and Sewer System Parity Obligations**

<u>Joint Water and Sewer System Issue<sup>(1)</sup></u>	<u>Project Financed</u>	<u>Principal Amount Of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions<sup>(2)</sup></u>
Revenue Bonds, Series 1990A	System Improvements	\$ 50,821,710	\$ 23,139,772 <sup>(3)</sup>	Ambac surety	7/1/2000 @ 100%
Refunding and Improvement Revenue Bonds, Series 1994A	Refunding and System Improvements	103,095,000	27,375,000	Ambac surety	Not callable
Revenue Bonds, Series 1995	System Improvements	38,940,000	22,360,000	Ambac surety	Not callable
Revenue Bonds, Series 1997	System Improvements	46,715,000	34,670,000	Ambac surety	7/1/2005 @ 100%
Refunding and Improvement Revenue Bonds, Series 1999A	Refunding and System Improvements	93,030,000	83,400,000	Ambac surety	Not callable
Refunding Revenue Bonds, Series 2000A	Refunding	26,375,000	19,735,000	Ambac surety	Not callable
Revenue Bonds, Series 2001A	System Improvements	30,000,000	29,900,000	Ambac surety	7/1/2009 @ 100%
NMFA – Public Project Revolving Fund Loan (2002)	System Improvements	450,000	450,000	N/A	Callable on any interest payment date after May 10, 2003
NMFA Drinking Water State Revolving Fund Loan (2002)	System Improvements	2,450,000	\$ <u>2,450,000</u>	N/A	Callable on any interest payment date after May 10, 2003
<b>Total Joint Water and Sewer System Parity Obligations</b>			<b><u>\$243,479,772</u></b>		

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

(2) Certain of these bonds are also subject to mandatory sinking fund redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.

(3) These bonds were issued as capital appreciation bonds and the amount shown as outstanding is the accreted value as of January 1, 2003.

The City also has obligations payable on a subordinate basis from revenues of the joint water and sewer system as shown below.

**City of Albuquerque  
Subordinate City Obligations  
Payable from Joint Water and Sewer System Revenues**

<u>Obligation</u>	<u>Principal Amount Of Original Issue</u>	<u>Amount Drawn</u>	<u>Interest Rate</u>	<u>Outstanding Principal Amount</u>
Wastewater Loans from the State Environment Department:				
November 1989 Loan	\$ 7,907,582	\$ 7,907,582	3.00% <sup>(1)</sup>	\$ 5,254,807
November 1991 Loan	2,521,846	2,521,846	3.00% <sup>(1)</sup>	1,444,178
November 1992 Loan	9,000,000	9,000,000	3.00% <sup>(1)</sup>	5,154,003
August 1995 Line of Credit	15,000,000	15,000,000	4.00%	12,877,080
June 2002 Loan	12,000,000	1,456,675	3.00%	12,000,000
Total Wastewater Loans				<u>\$36,730,068</u>
Other Obligations:				
SAD Bonds <sup>(2)</sup>	2,730,000	N/A	--	<u>635,000</u>
Total Other Obligations				<u>\$ 635,000</u>

- (1) Refinanced at this lower interest rate in March 2001. These loans previously bore interest at a rate of 5.00% annually.  
(2) The SAD bonds listed here are secured by a supplemental pledge of surplus joint water and sewer system revenues.

Combined Debt Service and Coverage Ratios. The following schedule shows, for each calendar year, the total combined debt service requirements payable for the City's outstanding joint water and sewer system parity obligations through their respective final maturity dates.

**City of Albuquerque**  
**Total Combined Debt Service**  
**Outstanding Joint Water and Sewer System Parity Obligations<sup>(1)</sup>**

Calendar Year	Parity System Obligations									Total Annual Combined Debt Service Payment
	Series 1990A Bonds <sup>(2)</sup>	Series 1994A Bonds	Series 1995 Bonds	Series 1997 Bonds	Series 1999A Bonds	Series 2000A Bonds	Series 2001 Bonds	2002 NMFA PPRF Loan	2002 NMFA DWRLF Loan	
2003	\$ 1,310,000	\$ 9,937,710	\$ 5,273,445	\$ 5,906,825	\$ 10,608,628	\$ 7,751,750	\$ 1,363,335	\$ 48,360	\$ 246,805	\$ 42,446,858
2004	1,315,000	9,979,690	5,273,800	5,914,475	13,535,238	4,528,500	1,360,335	48,474	247,115	42,202,627
2005	1,260,000	9,978,840	5,276,000	5,922,150	9,786,488	4,584,500	3,952,335	48,476	247,129	41,055,918
2006	5,965,000	--	5,275,200	5,934,375	11,396,238	5,208,000	3,986,273	48,479	247,143	38,060,707
2007	11,365,000	--	5,273,500	5,945,438	11,444,738	--	4,013,073	48,482	247,157	38,337,386
2008	11,365,000	--	--	5,964,863	12,535,238	--	4,031,848	48,484	247,172	34,192,604
2009	--	--	--	5,991,700	12,533,950	--	4,059,460	48,488	247,187	22,880,786
2010	--	--	--	--	12,539,575	--	4,080,273	48,492	247,203	16,915,543
2011	--	--	--	--	12,535,275	--	4,109,285	48,496	247,219	16,940,275
2012	--	--	--	--	--	--	4,135,860	48,500	247,235	4,431,595
2013	--	--	--	--	--	--	4,159,100	48,505	247,252	4,454,857
2014	--	--	--	--	--	--	--	48,510	247,269	295,779
<b>Total</b>	<b>\$32,580,000</b>	<b>\$29,896,240</b>	<b>\$26,371,945</b>	<b>\$41,579,825</b>	<b>\$106,915,365</b>	<b>\$22,072,750</b>	<b>\$39,251,175</b>	<b>\$581,748</b>	<b>\$2,965,887</b>	<b>\$302,214,935</b>

(1) The rate covenant of the City described below relates to all joint water and sewer system obligations, including the four Wastewater Loans listed in the previous table which are payable on a subordinate basis to the parity obligations shown in this table. The City is presently obligated to pay aggregate average annual debt service on the Wastewater Loans equal to \$2,925,429, and the maximum calendar year debt service on such Wastewater Loans is \$3,430,749 (occurring in 2008).

(2) Accreted value shown as of January 1, 2003.

In the ordinances pursuant to which the City's joint water and sewer system obligations have been issued, the City has agreed to charge all purchasers of services of the City such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all joint water and sewer system obligations (excluding reserves therefor). The net revenues of the joint water and sewer system for Fiscal Year 2002 were \$74,068,788. The maximum calendar year combined debt service requirements for parity obligations payable from net revenues of the joint water and sewer system except for the Wastewater Loans and SAD Bonds (as shown above) are estimated to be \$42,446,858 (occurring in calendar year 2003). The coverage ratio of the 2002 joint water and sewer system net revenues (\$74,068,788) to such maximum calendar year combined debt service requirements (\$42,446,858) would be 1.74x. The coverage ratio of 2002 joint water and sewer system net revenues (\$74,068,788) to the maximum calendar year combined debt service requirements of parity obligations and the Wastewater Loans and SAD Bonds (\$45,877,607, occurring in calendar year 2003) would be 1.61x. However, the 2002 joint water and sewer system net revenues include only two months of revenues reflecting the rate increase effective May 1, 2002. The Fiscal Year 2002 ratio of net revenues (\$74,068,788) to actual Fiscal Year 2002 debt service (including subordinate debt) (\$45,919,115) is equal to 1.61x.

Current Ratings of the Joint Water and Sewer System Parity Obligations. The City's outstanding joint water and sewer system parity obligations are currently rated "Aa3" by Moody's, "AA" by S&P and "AA" by Fitch. These ratings reflect only the views of the respective rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City's joint water and sewer system parity bonds. These ratings are only the long-term ratings of the City with respect to these bonds and would not apply to any such bonds bearing short-term interest rates. Certain of such bonds are credit enhanced and therefore have a different rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

#### *Refuse Removal and Disposal System Revenue Bonds*

Outstanding Refuse System Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the City's refuse removal and disposal system. See "ENTERPRISE OPERATIONS - Solid Waste and Refuse Disposal System."

**City of Albuquerque  
Outstanding Refuse Removal and Disposal Revenue Bonds**

<u>Issue</u> <sup>(1)</sup>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u> <sup>(2)</sup>
Refuse Removal and Disposal Refunding and Improvement Revenue Bonds, Series 1992 <sup>(3)</sup>	Refunding and System improvements	\$ 15,990,000	\$ 1,610,000	Ambac surety	7/1/2002 @ 102%
Refuse Removal and Disposal Refunding Revenue Bonds, Series 1995 <sup>(3)</sup>	Refunding	13,515,000	10,180,000	Ambac surety	Not callable
Refuse Removal and Disposal Revenue Bonds, Series 1998 <sup>(3)</sup>	System improvements	10,170,000	8,060,000	Ambac surety	7/1/2007 @100%
Refuse Removal and Disposal Revenue Bonds, Series 2001A and B	System improvements and refunding	14,205,000	<u>\$13,785,000</u>	FSA surety	Not callable
<b>Total Refuse System Revenue Bonds</b>			<b><u>\$33,635,000</u></b>		

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

(2) Certain of these bonds are also subject to mandatory sinking fund redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.

(3) Ambac Assurance Corporation has provided its municipal bond insurance in connection with these bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total combined debt service requirements payable for the City's outstanding refuse system revenue bonds through their respective final maturity dates.

**City of Albuquerque**  
**Total Combined Debt Service**  
**Outstanding Refuse System Revenue Bonds**

<u>Calendar Year</u>	<u>Series 1992 Bonds</u>	<u>Series 1995 Bonds</u>	<u>Series 1998 Bonds</u>	<u>Series 2001A&amp;B Bonds</u>	<u>Total Annual Combined Debt Service</u>
2003	\$ 613,580	\$ 1,750,190	\$ 946,628	\$ 1,145,091	\$ 4,455,489
2004	590,230	1,776,150	948,138	1,144,891	4,459,409
2005	586,080	1,771,715	947,888	1,143,891	4,449,574
2006	--	1,772,965	946,218	1,737,279	4,456,461
2007	--	1,773,548	948,218	1,731,685	4,453,450
2008	--	1,777,988	948,468	1,658,685	4,385,140
2009	--	1,778,725	947,443	1,150,338	3,876,505
2010	--	--	949,193	2,929,950	3,879,143
2011	--	--	949,213	2,933,700	3,882,913
2012	--	--	946,863	2,925,950	3,872,813
2013	--	--	946,856	--	946,856
<b>Total</b>	<u>\$1,789,890</u>	<u>\$12,401,280</u>	<u>\$10,425,121</u>	<u>\$18,501,460</u>	<u>\$43,117,751</u>

In the ordinances pursuant to which the City's refuse system obligations have been issued, the City has agreed to charge users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 150% of the annual debt service requirements on all outstanding system obligations. The net revenues of the City's solid waste and refuse disposal system for Fiscal Year 2002 were \$9,553,784. See "ENTERPRISE OPERATIONS - Solid Waste and Refuse Disposal System." The maximum calendar year combined debt service requirements for the outstanding refuse system revenue bonds of the City (as shown above) are estimated to be \$4,459,409 (occurring in calendar year 2004). The coverage ratio of the 2002 refuse system net revenues (\$9,553,784) to such maximum calendar year combined debt service requirements (\$4,459,409) would be 2.14x. For Fiscal Year 2002, the ratio of net revenues (\$9,553,784) to actual debt service (\$4,495,621) is equal to 2.13x.

Current Ratings of the Refuse System Revenue Bonds. All of the City's outstanding refuse system revenue bonds are credit enhanced and therefore have ratings which are based on the ratings of the credit enhancer rather than the ratings of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption. The City's outstanding refuse system revenue bonds are currently given underlying ratings of "A1" by Moody's, "AA-" by S&P, and "AA" by Fitch. These ratings reflect only the views of the respective rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City's refuse system revenue bonds.

*Golf Course Obligations*

Outstanding Golf Course Bonds. The City presently has outstanding one series of special limited obligations secured by net revenues of the City’s golf courses. See “ENTERPRISE OPERATIONS - Golf Courses.”

**City of Albuquerque  
Outstanding Golf Course Bonds**

<u>Issue</u> <sup>(1)</sup>	<u>Project Financed</u>	<u>Principal Amount Of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 <sup>(2)(3)</sup>	Golf Course Facilities	\$2,420,000	\$2,295,000	N/A	7/1/06 @ 100%

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) MBIA Insurance Corporation has provided its municipal bond insurance in connection with these bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.
- (3) These bonds are also secured by a pledge of revenues received by the City as a distribution from the State of the City’s share of the State gross receipts tax. State gross receipts tax revenues will only be used to pay debt service on these bonds to the extent that net revenues from the City’s golf courses are not available to pay such debt service.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total debt service requirements payable for the City’s outstanding golf course bonds through their final maturity dates.

**City of Albuquerque  
Total Debt Service  
Outstanding Golf Course Bonds**

<u>Calendar Year</u>	<u>Series 2001 Bonds</u>
2003	\$ 346,769
2004	345,269
2005	347,669
2006	343,888
2007	344,200
2008	342,950
2009	345,460
2010	341,650
2011	<u>346,775</u>
Total	<u>\$3,104,629</u>

In the ordinance pursuant to which the City’s golf course obligations have been issued, the City has agreed to charge users of the system such reasonable rates as are sufficient to produce net revenues annually to pay (i) the annual operation and maintenance expenses of the City’s golf courses, and (ii) 150% of the principal and interest of the Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 and any additional golf course

obligations (excluding the accumulation of any reserves therefor but including any amounts coming due under mandatory sinking fund redemption provisions). The amounts available in Fiscal Year 2002 that constituted the net revenues of the City's golf courses were \$489,314. The maximum calendar year debt service requirements for the outstanding golf course bonds of the City (as shown above) are \$347,669 (occurring in calendar year 2005). The coverage ratio of Fiscal Year 2002 net revenues (\$489,314) to such maximum calendar year debt service requirements (\$347,669) would be 1.41x. For Fiscal Year 2002, the ratio of net revenues (\$489,314) to actual debt service (\$343,016) is equal to 1.43x. The shortfall in revenues in Fiscal Year 2002 which resulted in the failure to meet the required coverage ratio was approximately \$25,210, or 1/10<sup>th</sup> of one percent of total revenues received. Rounds played in Fiscal Year 2001 decreased by 10.7% from Fiscal Year 2000 levels of play. Rounds played in Fiscal Year 2002 increased by less than one-half of one percent from Fiscal Year 2001 and remain 10.7% below Fiscal Year 2000. The City implemented a 5% rate increase on golf rounds on March 1, 2002 and is also implementing a plan to reduce expenditures during Fiscal Year 2003 in order to meet the debt service coverage requirement. See "ENTERPRISE OPERATIONS - Golf Courses - Golf Course Financial Information - Fee Structure and Revenues."

Current Ratings of the Golf Course Revenue Bonds. All of the City's outstanding golf course bonds are credit enhanced and therefore have ratings which are based on the ratings of the credit enhancer rather than the ratings of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption. These ratings reflect only the respective views of the rating agencies. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely by the respective rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City's refuse system revenue bonds.

### **Special Assessment District Obligations**

Outstanding Special Assessment District Bonds. There are currently two special assessment districts which have tax-exempt bonds outstanding. Both of such districts involve street improvements and water/sewer improvements and one of such districts also involves natural gas/electric improvements. Total outstanding street improvement bonds equal \$1,545,000, total outstanding water/sewer improvement bonds equal \$635,000, and total outstanding natural gas/electric improvement bonds equal \$40,000.

Special assessment district bonds ("SAD Bonds") are issued in accordance with the laws of the State, in particular, N.M. Stat. Ann. Sections 3-33-1 through 3-33-43, as amended and supplemented, and are authorized by bond ordinances and sale resolutions which are duly adopted by the City Council. SAD Bonds are special and limited obligations of the City, payable from certain assessments levied against the property specially benefited by the improvements and further secured by certain specified sources, described below. The assessments constitute a lien on each parcel of land in the district as to the respective amounts relating to such parcel,



which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes.

However, SAD Bonds are further secured by pledged supplemental revenues of, in the case of street improvement bonds, one-half of the revenues received by the City from the distribution of gasoline tax revenues from the State pursuant to N.M. Stat. Ann. Section 7-1-6.9, as amended (the “pledged gasoline tax receipts”), and in the case of water and sewer improvement bonds, surplus water and sewer revenues. Surplus water and sewer revenues are the net revenues of the City’s joint water and sewer system after required periodic payments for (i) operation and maintenance expenses and (ii) periodic debt service payments for revenue bonds and other obligations for the joint water and sewer system. See “Enterprise Obligations - Joint Water and Sewer System Obligations” under this caption.

Outstanding Special Assessment District Loans. From time to time, the New Mexico Finance Authority (“NMFA”) loans funds to the City to finance improvements to certain special assessment districts. Such NMFA loans (“SAD NMFA Loans”) are special and limited obligations of the City, payable solely from certain assessments levied against the property specially benefited by the improvements. Unlike SAD Bonds, the SAD NMFA Loans are not further secured by supplemental revenues. There are currently five SAD NMFA Loans outstanding in an aggregate principal amount of \$13,271,511.

**City of Albuquerque**  
**Outstanding Special Assessment District Obligations**

<u>District and Bond Issues/Loans<sup>(1)</sup></u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances<sup>(2)</sup></u>	<u>Redemption Provisions<sup>(3)</sup></u>
SAD 223 (Bond Issue June 1995):				
Street improvements <sup>(4)</sup>	\$ 7,600,000	\$ 525,000	\$102,000	Optional and special redemption
Water and Sewer Improvements <sup>(4)</sup>	1,735,000	420,000	47,000	
SAD 224 (Bond Issue February 1999):				
Street Improvements	3,955,000	1,020,000	--	Optional and special redemption
Water and Sewer Improvements	995,000	215,000	--	
Natural Gas and Electric Improvements	360,000	40,000	--	
SAD 226 (July 2000):				
NMFA Tax-Exempt Loan (Street and Water Improvements)	11,568,376	5,751,058	--	Optional and special redemption
NMFA Taxable Loan (Natural Gas and Electric Improvements)	766,685	382,065		
SAD 225 (November 2000):				
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	3,867,500	2,036,899	--	Optional and special redemption
SAD 222 (October 2001):				
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	2,605,539	1,902,167	--	Optional and special redemption
SAD 216 (May 2002):				
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	1,314,322	<u>979,322</u>	--	Optional and special redemption
<b>Total Special Assessment District Obligations</b>		<b><u>\$13,271,511</u></b>		

(1) The CUSIP numbers for each maturity of Bonds are listed on Appendix B hereto. All obligations listed refer to Bond issues unless otherwise indicated.

(2) As of December 31, 2002.

(3) These bonds are subject to optional redemption and special redemption at par in accordance with the bond ordinances relating to such bonds.

(4) These bonds are supported by a letter of credit issued by Bank of America, N.A., as described in "Credit Enhancement and Interest Rate Risk Management" under this caption.

Combined Debt Service and Coverage Ratios of Supplemental Pledges. The debt service on each subseries of SAD Bonds is payable from assessments levied against the particular property in the special assessment district in connection with the benefits financed by the bonds. Certain subseries of the SAD Bonds are further secured by a supplemental pledge of pledged

gasoline tax receipts or surplus water and sewer revenues (as described above in “Outstanding Special Assessment District Bonds” under this caption).

A table showing the estimated combined debt service coverages for the City’s SAD Bonds secured by a pledge of pledged gasoline tax receipts for Fiscal Years 2003-2007 is set forth below.

**City of Albuquerque  
Estimated Combined Debt Service Coverage  
Gasoline Tax Obligations**

<u>Fiscal Year</u>	<u>Combined Debt Service<sup>(1)</sup></u>	<u>Pledged Gasoline Tax Receipts Fiscal Year 2002<sup>(2)</sup></u>	<u>Estimated Coverage</u>
2003	\$98,658	\$4,431,007	44.91x
2004	85,623	4,431,007	51.75x
2005	85,623	4,431,007	51.75x
2006	85,623	4,431,007	51.75x
2007	85,623	4,431,007	51.75x

(1) This amount represents the total combined debt service payable on the gasoline tax obligations of the City, which are secured by certain special assessments and, only to the extent such special assessments are not received, are also secured by the pledged gasoline tax receipts.

(2) The pledged gasoline tax receipts for Fiscal Years 2003 through 2007 have been assumed to be the pledged gasoline tax receipts received in Fiscal Year 2002 for purposes of calculating the estimated debt service coverage ratio. See “FINANCIAL INFORMATION - Gasoline Tax.”

Source: City of Albuquerque, Office of the City Treasurer.

A table showing the estimated combined debt service coverages for the City’s SAD Bonds secured by a pledge of surplus water and sewer revenues for Fiscal Years 2003-2007 is set forth below.

**City of Albuquerque  
Estimated Combined Debt Service Coverage  
Surplus Water and Sewer Obligations**

<u>Fiscal Year</u>	<u>Combined Debt Service</u>	<u>Pledged Surplus Water And Sewer Revenues Fiscal Year 2002<sup>(1)</sup></u>	<u>Estimated Coverage</u>
2003	\$41,345	\$28,149,673	680.84x
2004	38,865	28,149,673	724.29x
2005	38,865	28,149,673	724.29x
2006	38,865	28,149,673	724.29x
2007	38,865	28,149,673	724.29x

(1) Surplus water and sewer revenues available in Fiscal Year 2002 have been projected for five years to calculate the debt service coverage ratio although the City is not restricted from issuing, and expects to issue, bonds with a first lien on the joint water and sewer system net revenues which could diminish the resulting surplus water and sewer revenues available in the future. See “ENTERPRISE OPERATIONS- Joint Water and Sewer System.”

(2) The pledged surplus water and sewer revenues for Fiscal Years 2003 through 2007 have been assumed to be the pledged surplus water and sewer revenues received in Fiscal Year 2002 for purposes of calculating the estimated debt service coverage ratio.

Source: City of Albuquerque, Office of the City Treasurer.

Current Ratings of the Special Assessment District Bonds. The City's outstanding SAD Bonds are currently unrated, except the SAD 223 Bonds, which are credit enhanced and rated based on the rating of the credit enhancer rather than a rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption. This rating reflects only the view of S&P. Any explanation of the significance of the rating may be obtained from S&P. There can be no assurance that this rating will continue for any given period of time or that the rating will not be lowered or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any downward change in or withdrawal of the rating may have an adverse effect on the marketability and/or market price of the City's SAD Bonds which are so rated.

## **Housing Obligations**

### *Collateralized Mortgage Obligations*

1988 CMO Bonds. On December 28, 1988, the City issued its Municipal Refunding Collateralized Mortgage Obligations ("MR CMO"), Series 1988A (the "1988 CMO Bonds") in the aggregate principal amount of \$43,650,000. The 1988 CMO Bonds were outstanding as of November 10, 2002 in the aggregate principal amount of \$1,680,159. The only 1988 CMO Bonds currently outstanding are the Class A-4 Bonds which are zero coupon or capital appreciation bonds. Interest on the 1988 CMO Bonds is subject to federal income taxation.

The 1988 CMO Bonds were issued pursuant to an ordinance of the City and a Trust Indenture dated as of November 10, 1988 (the "1988 Indenture") between the City and Sunwest Bank of Albuquerque, National Association (now The Bank of New York Trust Company of Florida, N.A.), as trustee, bond registrar and paying agent, to provide funds for the purpose of refunding and defeasing the City's Residential Mortgage Revenue Refunding Bonds, Series 1980.

The 1988 CMO Bonds are secured by mortgage loans (the "Mortgage Loans") with liens on one-to-four family residences (including condominiums) in the City, originally owned by persons of low and moderate income, and by moneys and securities held under the 1988 Indenture. The Mortgage Loans currently are being serviced for the City by mortgage servicing institutions pursuant to certain agreements (collectively, each, an "Agreement" and, together, the "Agreements"). Each Mortgage Loan bears interest at a rate of not less than 8.25% per annum, with an initial term of not less than 25 years. Certain scheduled payments on the 1988 CMO Bonds are unconditionally and irrevocably guaranteed pursuant to a bond insurance policy from Financial Guaranty Insurance Corporation.

The bond insurance policy, the Mortgage Loans, the Agreements, and certain payments received by the Trustee, together with amounts available in the reserve account, and certain other amounts held under the 1988 Indenture, constitute the security for the 1988 CMO Bonds. Scheduled distributions on the Mortgage Loans, together with reinvestment earnings thereon at the assumed reinvestment rate, and amounts withdrawn from the reserve account are expected to be sufficient to make timely payments of interest on the 1988 CMO Bonds and to retire the 1988 CMO Bonds not later than their stated maturity.

1989 CMO Bonds. On February 15, 1989, the City issued its Municipal Collateralized Mortgage Obligations (“MR CMOs”), Series 1989 (the “1989 CMO Bonds”) in the aggregate initial principal amount of \$3,242,153. The 1989 CMO Bonds were outstanding as of November 10, 2002 in the aggregate accreted value and principal amount of \$3,242,153. The 1989 CMO Bonds consist, in order of their respective stated maturities, of Class 1 Bonds and Class 2 Bonds. Accrued interest on the Class 1 Bonds is payable quarterly on each February 15, May 15, August 15 and November 15. The Class 2 Bonds are capital appreciation bonds. Interest on the 1989 CMO Bonds is not subject to federal income taxation.

The 1989 CMO Bonds were issued pursuant to a Trust Indenture dated as of February 15, 1989 (the “1989 Indenture”) between the City and Sunwest Bank of Albuquerque, National Association (now The Bank of New York Trust Company of Florida, N.A.), as trustee, paying agent and bond registrar, to provide funds for public uses of the City specified in the 1989 Indenture, to provide funds to make deposits in certain accounts established under the 1989 Indenture and to pay 1989 CMO Bond issuance costs.

Security for the 1989 CMO Bonds is provided by an Assignment of Revenues and Security Interest (the “Assignment”). Pursuant to the Assignment, the City irrevocably assigned and pledged for payment of the 1989 CMO Bonds all amounts from time to time released from the lien of the 1988 Indenture. Subject to the prior lien of the 1988 Indenture, the Assignment also grants a lien as security for payment of the 1989 CMO Bonds against the trust estate pledged under the 1988 Indenture. The amount of scheduled distributions under the Assignment which are available to pay special redemptions on the 1989 CMO Bonds will depend upon the principal.

Certain scheduled payments on the 1989 CMO Bonds are unconditionally and irrevocably guaranteed pursuant to a bond insurance policy from Financial Guaranty Insurance Corporation.

#### *Multifamily Revenue Bonds*

On July 20, 2000, the City issued its Affordable Housing Projects Refunding Revenue Bonds, Series 2000 (the “Series 2000 Bonds”) in the aggregate principal amount of \$15,080,000 for the purpose of refunding and defeasing the three following outstanding Bonds of the City: (i) its Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991, outstanding in the aggregate principal amount of \$1,155,000; its Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments Project), Series 1994, outstanding in the aggregate principal amount of \$2,830,000; and its Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996, outstanding in the aggregate principal amount of \$11,245,000. The Series 2000 Bonds were issued pursuant to an ordinance of the City and a Mortgage and Indenture of Trust (the “2000 Indenture”) and were outstanding as of December 1, 2002 in the aggregate principal amount of \$14,680,000.

The Series 2000 Bonds are secured by a lien on, and payable only from revenues of, the Beach Apartments project, the Manzano Vista Apartments project and the Bluewater Village Apartments project (including a mortgage on such projects), certain funds and accounts created under the 2000 Indenture as described therein, a municipal bond insurance policy issued by

MBIA Insurance Corporation and a standby bond purchase agreement provided by Bank of America, N.A. See “OTHER PROJECTS OF THE CITY - Housing Projects.”

### **Conduit Bonds**

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees which monitor amounts due by the borrowers and pay the principal and interest as due on such conduit bonds from the borrowers’ payments. The City has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due. The Annual Statement does not therefore include any description of the bonds previously issued by the City in favor of such conduit borrowers.

### **Credit Enhancement and Interest Rate Risk Management**

#### *Credit Enhancement*

The following table sets forth certain information concerning the providers of credit enhancement (including municipal bond insurance and letters of credit) supporting outstanding obligations of the City. **THE CITY MAKES NO REPRESENTATION AS TO THE FINANCIAL STATUS OF OR OTHERWISE ABOUT ANY OF SUCH CREDIT PROVIDERS, AND INVESTORS SHOULD CONTACT THE RESPECTIVE PROVIDER FOR ANY SUCH INFORMATION.**

**City of Albuquerque**  
**Credit Enhancement Supporting Outstanding Obligations of the City**

Name of Credit Provider	Outstanding Aggregate Principal Amount of Obligations Supported	Present Ratings of Credit Provider <sup>(1)</sup>	Credit Enhanced Obligations	Expiration of Credit Enhancement	Date City May Request Renewal of Credit Enhancement
Ambac Assurance Corporation	\$232,285,000	S&P: AAA Moody's: Aaa	. Airport Revenue Bonds, Series 1995B . Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995 <sup>(2)</sup> . Refuse Removal and Disposal Revenue Bonds, Series 1992, 1995 and 1998 . Airport Refunding Revenue Bonds, Series 1997 . Airport Refunding Revenue Bonds, Series 1998 . Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000A & B <sup>(3)</sup> . Airport Refunding Revenue Bonds, Series 2001	Maturity of insured bonds	N/A
Financial Guaranty Insurance Corporation	\$ 4,922,303	S & P: AAA Moody's: Aaa	. Municipal Refunding Collateralized Mortgage Obligations, Series 1988 and 1989	Maturity of insured bonds	N/A
Financial Security Assurance	\$ 32,036,661	S & P: AAA Moody's: Aaa	. Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B . Refuse Removal and Disposal Improvement Revenue Bonds, Series 2001 A . Refuse Removal and Disposal Refunding Revenue Bonds, Series 2001B	Maturity of insured bonds	N/A
MBIA Insurance Corporation	\$ 53,460,000	S & P: AAA Moody's Aaa	. Gross Receipts Tax Refunding Revenue Bonds, Series 1996 . Variable Rate Gross Receipts Tax Improvement Revenue Bonds, Series 2000A <sup>(4)</sup> . Affordable Housing Projects Refunding Revenue Bonds, Series 2000 <sup>(5)</sup> . Taxable Golf Course Net Revenue/ Gross Receipts Tax Revenue Bonds, Series 2001	Maturity of insured bonds	N/A
Bank of America, N.A.	\$ 1,455,000	S & P: AA-/A-1+ Moody's: Aa1/P-1	. Gross Receipts/Lodgers' Tax Adjustable Tender Revenue Bonds, Series 1995	11/27/2004	None
Bank of America, N.A.	\$ 945,000	S & P: AA-/A-1+ Moody's: Aa1/P-1	. SAD 223 Bonds	05/09/2005	None

(1) To the City's knowledge as of the date hereof.

(2) These bonds are also secured by a standby bond purchase agreement provided by Bayerische Hypo-Und Vereinsbank AG which expires 11/30/03. Renewal must be requested by 9/30/03.

(3) These bonds are also secured by a standby bond purchase agreement provided by Morgan Guaranty Trust Company of New York which expires 5/30/05. Renewal must be requested by 2/28/05.

(4) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires 1/20/05. Renewal must be requested by 6/30/03.

(5) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires 7/20/05. Renewal must be requested by 1/1/03.

### *Interest Rate Risk Management*

The City has from time to time entered into financing arrangements in order to more effectively manage its debt portfolio and limit its exposure in certain cases to interest rate risk. At the present time, there are two such arrangements in place with respect to the City's outstanding long-term obligations as described below.

Subordinate Series 1995 Airport Revenue Bonds. In connection with the City's Subordinate Series 1995 Bonds relating to the Airport, the City entered into an Interest Rate Swap Agreement (the "Exchange Agreement") dated as of October 1, 1992, with AIG Financial Products Corp. ("AIG-FP"). Under the Exchange Agreement, the City is obligated to make payments to AIG-FP calculated on the basis of a fixed rate (6.685% per annum), and AIG-FP is obligated to make reciprocal floating rate payments equal to the interest rate on the Subordinate Series 1995 Bonds, subject to certain conditions. These payments are to be made on a net basis on the business day immediately preceding each interest payment date for the Subordinate Series 1995 Bonds.

Arrangements made in respect of the Exchange Agreement do not alter the City's obligation to pay principal of and interest on the Subordinate Series 1995 Bonds from net revenues of the Airport and other amounts pledged therefor. The Exchange Agreement does not provide a source of security or other credit for the Subordinate Series 1995 Bonds. The City's obligations under the Exchange Agreement to make monthly fixed rate payments to AIG-FP are on a parity with the City's obligation to pay principal of and interest on the Subordinate Series 1995 Bonds. The obligations of AIG-FP under the Exchange Agreement have been guaranteed by its parent corporation, American International Group, Inc.

Under certain limited circumstances, the Exchange Agreement may be terminated prior to the maturity of the Subordinate Series 1995 Bonds. Accordingly, no assurance can be given that the Exchange Agreement will continue to be in existence. If the Exchange Agreement is terminated under certain market conditions, the City may owe a termination payment to AIG-FP. Such a termination payment would be payable from net revenues of the Airport and could be substantial.

Series 2000 Housing Bonds. In connection with its Affordable Housing Projects Refunding Revenue Bonds, Series 2000 (the "Series 2000 Housing Bonds"), the City entered into a Rate Cap Agreement dated as of July 12, 2000, with Morgan Guaranty Trust Company of New York ("Morgan Guaranty"). Pursuant to the Rate Cap Agreement, in the event that the average BMA Municipal Swap Index for a particular month exceeds 6.00%, Morgan Guaranty agrees to pay to the City, on the first day of the subsequent month, an amount equal to the difference between the average BMA Municipal Index for such month and 6.00%. Since interest on the Series 2000 Housing Bonds is payable at a variable rate based on an index similar to the BMA Municipal Swap Index, the City will be able to use any such payments to pay interest on the Series 2000 Housing Bonds if interest fluctuates to levels above 6.00%. The Rate Cap Agreement will terminate on July 1, 2005. In addition, under certain circumstances the Rate Cap Agreement may terminate prior to such date. Upon such termination (whether on July 1, 2005 or prior to such date), the City expects to enter into a similar agreement for the purpose of hedging



against the variable interest rate payable on the Series 2000 Housing Bonds, although there is no assurance that the City will obtain such a hedge at that time.

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

### **The City and Metropolitan Area**

Albuquerque is the largest city in the State of New Mexico (the “State”), accounting for roughly one-quarter of the State’s population. Located at the center of the State in Bernalillo County (the “County”) at the intersection of two major interstate highways and served by both rail and air, Albuquerque is the major trade, commercial and financial center of the State.

#### **City of Albuquerque Area in Square Miles**

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
June 30, 2000	181.60
October 31, 2001	184.94
September 30, 2002	187.70

Source: City of Albuquerque Planning Department.

### **Population**

The Albuquerque Metropolitan Statistical Area (“MSA”), which until January 1, 1994 consisted solely of the County, now includes all of the County, plus Sandoval and Valencia Counties. As reported by the Bureau of the Census in 2000, the population of the City was 448,607, while that of the County and the new MSA were respectively 556,678 and 712,738. The State population in 2000 was 1,819,046. Population in the City grew at a compounded annual rate of 1.97% during the 1960s, 3.13% during the 1970s, 1.46% during the 1980s and 1.55% during the 1990s. The percentage of the State’s population in the City was 21.2% in 1960, 24.0% in 1970, 25.5% in 1980, 25.4% in 1990 and 24.7% in 2000.

## Population

<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA<sup>(1)</sup></u>	<u>State</u>
1960	201,189	262,199	292,500 <sup>(2)</sup>	951,023
1970	244,501	315,774	353,800 <sup>(2)</sup>	1,017,055
1980	332,920	420,262	485,500 <sup>(2)</sup>	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April <sup>(3)</sup>	448,607	556,678	712,738	1,819,046
2000 <sup>(4)</sup>	450,058	557,361	714,554	1,821,282
2001 <sup>(4)</sup>	455,909	562,458	723,296	1,829,146

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

(2) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research ("BBER").

(3) April of 2000 is month of Census. It is reported as benchmark; all other years are as of July of year.

(4) 2000 July and 2001 are based on BBER estimates.

Sources: U.S. Department of Commerce, Bureau of the Census, except as indicated in footnotes.

## Age Distribution

The following table sets forth a comparative age distribution profile for the City, the County, the State and the United States.

### 2001 Population by Age Group

<u>Age</u>	<u>% City</u>	<u>% County</u>	<u>% State</u>	<u>% U.S.<sup>(1)</sup></u>
0-17	24.3% <sup>(2)</sup>	25.2% <sup>(2)</sup>	27.9% <sup>(2)</sup>	25.7% <sup>(2)</sup>
18-24	10.9	10.6	9.9	9.8
25-34	14.5	13.8	12.4	13.7
35-49	23.2	23.3	22.4	22.9
50 and Older	27.1	27.1	27.4	27.9

(1) Percentages of the population for all age groups for the United States were calculated based on the total population and population for each group.

(2) Percentage of the population age 0-17 presented for the City, County and State are residual percentages.

Source: 2002 Survey of Buying Power, Sales and Marketing Management Magazine. September 2002.

## Employment

The Albuquerque economy experienced a continuous expansion from mid-1982 until the national recession hit in mid-1990. The recovery from the 1990-91 recession was vigorous and broad based. Growth in the MSA nonagricultural employment peaked at 6.1% in 1994. In 1996 a substantial slowdown occurred with growth of only 1.9%. Growth ranged from 1.5% to 2.2% from 1996 to 1999, but reached 3.0% in 2000. Since 2000, the economy has slowed; growth in 2001 was only 1.2%, and less than 0.5% in the first half of 2002.

Beginning with the recovery from the 1990-1991 recession and continuing through 1995, the Albuquerque economy generally out-performed the State and U.S. economies. In 1996, growth in the Albuquerque economy slowed markedly. From 1996 to 1999, as U.S. growth remained strong, Albuquerque grew at slower rates than the nation as a whole. In 2000 this trend reversed and Albuquerque's growth of 3% outpaced the U.S. rate of 2.0%. The national recession has hit Albuquerque, but not as hard as other regions or the U.S. as a whole. Even Albuquerque's growth of .4% exceeds the decline of 0.9% for the U.S. as a whole. Employment growth has slowed in 2002 and New Mexico stands out as having strong growth relative to the rest of the United States. According to the Bureau of Labor Statistics, as of August 2002 New Mexico was the fifth fastest growing state with growth of only 0.7% for the calendar year thus far. At that rate, New Mexico's growth exceeded the rate of growth for the U.S., which overall had a decline of 0.9%. Regionally, Oklahoma had growth while Arizona, Texas, Utah and Colorado all suffered declines in employment that exceeded the national decline.

The information on nonagricultural employment for the State and the Albuquerque MSA, reported in the following table, represents estimates by the New Mexico Department of Labor. More detailed information on nonagricultural employment can be found in the table entitled "Albuquerque MSA Estimated Nonagricultural Wage and Salary Employment Annual Average Employment" under the caption "Major Industries."

Calendar Year	Albuquerque MSA <sup>(1)</sup>		New Mexico		United States	
	Employment	% Chg.	Employment	% Chg.	Employment	% Chg.
1992	276.1	3.5%	601.2	2.1%	108,604	0.3%
1993	289.5	4.9	626.2	4.1	110,730	2.0
1994	307.3	6.1	657.2	5.0	114,172	3.0
1995	320.2	4.2	682.4	3.8	117,203	2.7
1996	326.3	1.9	694.9	1.8	119,608	2.1
1997	333.1	2.1	708.5	2.0	122,690	2.6
1998	338.5	1.6	720.0	1.6	125,826	2.6
1999	344.2	1.7	729.6	1.3	128,916	2.4
2000	354.9	3.1	744.9	2.1	131,720	2.2
2001	359.2	1.2	756.8	1.6	131,922	0.2
2002 <sup>(2)</sup>	360.1	0.4	760.8	0.7	130,736	-0.9

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

(2) As of August 2002.

Sources: Albuquerque MSA and New Mexico data based on figures from the New Mexico Department of Labor; U.S. data from the U.S. Department of Labor.

Between 1991 and 1995, unemployment in the Albuquerque MSA ranged from a high of 7% in 1993 to a low of 4% in 1994 and 1995. This indicator climbed to over 5% in 1996, as economic growth slowed markedly. However, even as economic growth continued to slow, the unemployment rate fell to 3.9% in 1999, due in part to a decline in the civilian labor force in the Albuquerque MSA in that year. In 2000 employment and labor force increased and the unemployment rate declined to 3.3%. In 2001 unemployment increased to 3.6%. As the recession took hold unemployment continued to increase, and in August 2002 unemployment was 5.0%.

The unemployment rate at the state level is typically higher than the rate for the City or the U.S. The New Mexico unemployment rate ranged from 6.3% to 7.7% from 1992 to 1995. The growth pause in 1996 sent the official rate above 8% - a rate questioned by New Mexico Department of Labor economists. The rate for 1997 was 6.3% declining to 6.2% in 1998, 5.6% in 1999, 4.9% in 2000, and 4.8% in 2001. After holding even with the U.S. in 2000 and 2001, by August 2002 the unemployment rate was 6.1%, higher than the national rate of 5.7%.

### Civilian Employment/Unemployment Rates

Calendar Year	Albuquerque MSA <sup>(1)</sup>			Unemployment Rates		
	Civilian Labor Force	Number Employed	Number Unemployed	Albuquerque MSA	New Mexico	United States
1993	324,851	302,591	22,260	6.9	7.7	6.9
1994	334,564	319,783	14,781	4.4	6.3	6.0
1995	342,879	328,926	13,953	4.1	6.3	5.6
1996	345,096	326,638	18,458	5.3	8.0	5.4
1997	357,648	342,244	15,404	4.3	6.4	4.9
1998	361,703	345,176	16,527	4.6	6.2	4.5
1999	353,395	339,447	13,948	3.9	5.6	4.22
2000	367,560	355,580	11,980	3.3	4.9	4.0
2001	370,845	357,377	13,468	3.6	4.8	4.8
2002 <sup>(2)</sup>	385,900	366,700	19,200	5.0	6.1	5.7

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

(2) As of August 2002.

Sources: U.S. Department of Labor and New Mexico Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees as of August 2002. As of that date, Kirtland Air Force Base, the University of New Mexico, Albuquerque Public Schools, the City, and Sandia National Laboratories were the largest employers in the Albuquerque area.

## Major Employers in the Albuquerque Area – January 2003<sup>(1)</sup>

<u>Company Name</u>	<u>Estimated Employees</u>	<u>% of Total Nonagricultural &amp; Military Employment<sup>(2)</sup></u>	<u>Description</u>
Kirtland Air Force Base (Civilian) <sup>(3)</sup>	17,483	4.8%	Aerospace
University of New Mexico	15,375	4.2%	Educational Institution
Albuquerque Public Schools	11,600	3.2%	Educational Institution
Sandia National Labs <sup>(7)</sup>	7,700	2.1%	Research & Development
Kirtland Air Force Base (Military) <sup>(3)</sup>	6,539	1.8%	Government
City of Albuquerque <sup>(4)</sup>	6,429	1.8%	Government
State of New Mexico	6,306	1.7%	Government
Presbyterian <sup>(7)</sup>	5,542	1.5%	Hospital
Intel Corporation	5,500	1.5%	Semiconductor Mfg.
UNM Hospital	4,068	1.1%	Hospital
Lovelace Health Systems	3,322	0.9%	Hospital
Sandia Health Systems			Hospital
(formerly St. Joseph's Healthcare System)	2,400	0.7%	
Wal Mart <sup>(7)</sup>	2,348	0.6%	Retailer
Public Service Company of New Mexico	1,815	0.5%	Utilities Provider (statewide)
Veterans Admin. Medical Center	1,710	0.5%	Hospital
Bernalillo County	1,690	0.5%	Government
Albuquerque Technical-Vocational	1,669	0.5%	Educational Institution
Qwest Communications (6)	1,500	0.4%	Telecommunications Provider
Sandia Casino	1,400	0.4%	Casino
America Online	1,300	0.4%	Customer Service Center
Honeywell Defense Avionics Systems	1,225	0.3%	Aircraft Avionics Mfg.
Sprint PCS	1,200	0.3%	Customer Service Center
Isleta Gaming Palace	1,200	0.3%	Casino
Rio Rancho Public Schools	1,184	0.3%	Educational Institution
Bank of America	1,130	0.3%	Financial Institution
<b>Total</b>	<b>111,635</b>	<b>30.5%</b>	

(1) Unless otherwise indicated, employment figures are from a telephone survey conducted by Albuquerque Economic Development, Inc. in January 2003. For a discussion about some local employers and certain changes which may impact their number of employees, see "Major Industries" under this caption.

(2) Based on total nonagricultural wage and salary employment in the Albuquerque MSA (359,183) as reported by the New Mexico Department of Labor plus the number of military employees reported by Kirtland Air Force Base (6,539), for a total of 365,722 employees.

(3) "Military" includes active duty personnel, reservists and National Guard. "Civilian" includes only Appropriated Funds Civilians. See also the chart entitled "Kirtland Air Force Base Employment" under "Major Industries - Government."

(4) Includes both temporary and permanent employees.

(5) Full-time, permanent employees.

(6) Statewide employees.

(7) Updated figures not obtained. Figures shown as of August 2001.

Source: Albuquerque Economic Development, Inc., except as noted.

## Major Industries

The City's expansion after the 1990-91 national recession was vigorous and broad based, with all sectors experiencing employment growth. The following narrative discusses the trends in each major sector of the Albuquerque economy. This information is provided as of the date of this Annual Information Statement unless otherwise noted. Such information speaks only as of such date. The City makes no projections or representations, nor shall the provision of such information create any implication, that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue. The table near the end of this section entitled "Albuquerque MSA Estimated Nonagricultural Wage and Salary Employment Annual Average Employment, 1992-2001" provides detailed information regarding employment growth within key sectors of the economy from 1992 to 2001. Where available, information is given for employment through August 2002.

### *Trade and Services Sectors*

Generally. According to the New Mexico Department of Labor's estimates, over half (56%) of nonagricultural civilian employment in the Albuquerque MSA in 2001 was in the retail, wholesale trade and services sectors. Over the 10 years from 1992 to 2001, retail trade employment grew at a compound annual rate of 2.9%, while employment in the services sector increased at a compound rate of 3.3%. Services sector employment growth in 1996 was negatively affected by the New Mexico Department of Labor's reclassification of a number of jobs. Starting in 1996, tribal administration and jobs at reporting casinos have been classified as local government employment. Previously, they were classified in the services sector. In addition to the changes in the classification of tribal employment, many back-office jobs counted in the services sector under business services are now reported in other sectors. For example, MCI-Telemarketing operations are now included under Transportation, Communications and Public Utilities, while the operations for credit card companies like Citicorp or Bank of America are reflected under Finance, Insurance and Real Estate.

The importance of the trade and services sectors reflects Albuquerque's continuing role as the trade and services center for the State and the larger region, including southern Colorado and parts of eastern Arizona. Although there are regional shopping centers and warehouse stores outside Albuquerque (e.g., Farmington and Santa Fe), people from these areas continue to come to Albuquerque to make major purchases and to shop at the array of warehouse stores that have opened in Albuquerque in the past few years.

Retail Trade. Retail trade has slowed with the general economy. After annual employment growth of at or above 5% in 1993 through 1995, growth slowed to 3.1% in 1996. Further slowing occurred in 1997 and 1998 with growth of 1.5% and 0.9%, respectively. In 1999 there was a decline of 0.5%, due primarily to the reclassification of jobs to other sectors and the closing of Fulcrum Direct, a mail order business, representing nearly 1,000 jobs classified as retail trade. In 2000 growth increased by 2.8%, but was slowed again by some reclassification of jobs to other sectors. In 2001, employment growth was approximately 1.5%. The largest negative impact to retail trade was the bankruptcy of the Furr's grocery store chain.

Although only some of the stores were actually closed, most were sold, and many of the employees were hired by the new owners.

Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and HMO is one of the largest employers in the area. The health service industry in Albuquerque had one of the fastest rates of growth of employment, with a compound annual rate from 1993 to 1997 of over 5.0%. Employment declined 1.0% in 1998, with an additional decline of 0.6% in 1999, in part due to federal healthcare reform legislation, including a reduction in payments for Medicare reimbursements. Also contributing to the slowdown was Sun Healthcare Group, Inc., which filed for bankruptcy protection in October 1999. In 2000, employment in the health service industry in Albuquerque increased 1.9% and in 2001 increased 2.4%. Blue Cross Blue Shield is opening a multi-state claims center in Albuquerque. As of December 2002, approximately 120 persons were employed; ultimately they expect to increase employment to 500 workers.

Tourism and Hospitality. The tourism and hospitality industry is important to Albuquerque. Albuquerque has benefited from the interest in the Southwest and from efforts to promote the City and to attract major conventions to the Convention Center. Since 1995 the stock of hotel rooms in the City has increased significantly with over 3,400 hotel and motel rooms being permitted. The number of hotel rooms in Rio Rancho has also increased. These increases in the number of rooms are probably responsible for lowering the occupancy percentage, as tracked by the Rocky Mountain Lodging Report, from 72.8% in 1995 to 63.1% in 1998 and 62% in 1999. Average daily room rates increased from \$62.62 in 1995 to \$67.42 in 1998, then fell to \$66.18 in 1999 in part due to an increase in supply. As of July 2001, the Rocky Mountain Lodging Report estimated that daily room rates were \$66.82 and the occupancy percentage was 68.5%. For July of 2002 room rates had fallen to \$64.99 and the occupancy percentage fell to 65.5%. Lodgers' tax revenues grew at a compound annual rate of 10.1% between Fiscal Year 1990 and Fiscal Year 1995. For a number of reasons, including the decrease in room rates related to the increase in the stock of hotel rooms, lodgers' tax revenues, after growing 6.8% in Fiscal Year 1997, grew only 0.5% in Fiscal Year 1998 and only 1.5% in Fiscal Year 1999. However, in Fiscal Year 2000 lodgers' tax revenues grew 3.7%. This slowed and lodgers' tax revenues increased 1.1% Fiscal Year 2001 and declined by 2.0% in Fiscal Year 2002.

Business Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations, although, as noted above, the New Mexico Department of Labor has reclassified many of these positions. Employment in Albuquerque's business services sub-sector grew at a compound annual rate of 8% between 1990 and 1995. After a decline in 1996 - likely due to the New Mexico Department of Labor's reclassification of certain jobs - employment grew 7% in 1997, 8% in 1998, 9% in 1999, and 6.1% in 2000. In 2001 employment fell by 5.6%, driven by the slowdown in the economy. The economic slowdown continued in 2002; as of June, employment growth in this sector declined by another 4.4%. In December 2002, however, ClientLogic, an international firm offering call center services, announced it would be receiving funds through the State's Worker Training Program, enabling it to add 273 persons to its labor force beginning in January 2003. The City understands that the firm plans to add a total of 500 workers.

Research and Development. The research and development sub-sector of trade and services includes Sandia National Laboratories (“Sandia”), employing approximately 7,700 people. Sandia is operated by a private contractor, although funded by the federal government. For more information on events affecting employment at Sandia see “Government” below.

*Government*

While it has declined in importance as a direct employer, in 2001 the government sector (comprised of federal, state and local employees) accounted for 19.2% of total nonagricultural employment in the Albuquerque MSA. “Government” (as defined by the New Mexico Department of Labor for purposes of reporting nonagricultural employment) does not include military employment, which represents approximately 8,500 jobs in the Albuquerque MSA. In addition, “government” does not include employment at Sandia. Sandia is operated by a private contractor, although funded by the federal government (primarily the Department of Energy (“DOE”)) and its approximately 7,700 jobs are counted in the trade and services sector. Several of the largest employers in the Albuquerque area are in the government sector, including the University of New Mexico, Albuquerque Public Schools, Kirtland Air Force Base (“Kirtland AFB”), and the City.

Kirtland AFB is a major military installation and home to over 150 different operations. Including private contractors, the largest of which is Sandia, military and civilian employment on the base is approximately 28,359, as shown in the table below.

**Kirtland Air Force Base Employment<sup>(1)</sup>**  
(as of September 30)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Military Employees	5,650	5,468	4,955	4,249 <sup>(2)</sup>	3,798
Appropriated Civilians	3,810	3,509	3,898	3,783	3,697
Other Civilians <sup>(3)</sup>	<u>12,830</u>	<u>10,032</u>	<u>11,261</u>	<u>19,549</u>	<u>20,864</u>
Total <sup>(4)</sup>	22,280	19,009	20,014	24,176	28,359

(1) Some data may not be directly comparable from year to year as methodology and reporting may have changed. Chart based on federal fiscal year (October 1 to September 30).

(2) Figure includes active duty employees only.

(3) Figures include nonappropriated civilians, contract civilians and private businesses.

(4) Figures do not include Active Duty Military Dependents.

Sources: Public Information Office, Kirtland Air Force Base, for fiscal year 1997; Economic Resource Impact Statement of Kirtland Air Force Base, for fiscal years 1998 and 1999; Economic Impact Analysis of Kirtland Air Force Base, for fiscal year 2000; and Economic Impact Analysis for fiscal year 2001.

The loss of military jobs since 1996 reflects the decision of the military to replace military jobs with civilians where possible. Discussions of the defense budget have created uncertainty over future funding for operations at Kirtland, as well as Sandia (discussed below). In March 1995, Kirtland AFB was put on the list of bases recommended for realignment or closure by the Base Realignment and Closure Commission (“BRACC”). Scrutiny of the Air Force realignment plan indicated that the costs had been seriously underestimated, and Kirtland



AFB did not appear on the final list of bases recommended to the President for realignment or closure by BRACC on July 1, 1995. The BRACC is planned to undergo another round of evaluations and closures in 2005. It is not known whether Kirtland will be affected.

Employment at Sandia has declined from 1994 to 1999 by about 1,450 employees. According to Sandia, employment stabilized at around 6,500 for 1999 to 2001. In 2002, Sandia experienced growth in part as a result of anti-terrorism efforts. As of December 2002, Sandia has approximately 6,800 employees in Albuquerque. According to fiscal impact analysis from DOE, from 1994 to 1998, DOE local purchases have declined by approximately \$230 million. Sandia is one of the DOE nuclear weapons laboratories and is currently operated and managed by Lockheed-Martin. Despite lower levels of funding for nuclear weapons work, Sandia has been able to maintain employment for several reasons: (1) they have been given new DOE responsibilities, in terms of the production and disassembly of nuclear weapons, stockpile maintenance, treaty verification, transportation and storage of hazardous waste; (2) they have been encouraged to work with the private sector to effect technology transfer; and (3) they have been working under contract to other government agencies and in cooperation with private corporations.

In an effort to counteract the loss of DOE-funded jobs, the DOE is assisting communities in attracting other types of employment. In New Mexico, the DOE funded a study to assess and report on the Central New Mexico Economy with a focus on industry clusters and the key competencies in the area. The study, completed in summer of 2000, identified three mature industry clusters - Electronics, Tourism and Artisan Manufacturing - and three emerging industry clusters - Software and IT, Biomed/Biotech and Optics/Photonics. Through their Office of Worker and Community Transition, the DOE also develops and funds Community Reuse Organizations ("CROs"). The Next Generation Economy Inc. (NGEI) was formed in August 2000 as a 501(c)(3) corporation to serve as central New Mexico's CRO funded by the DOE Office of Worker and Community Transition. This CRO is expected to provide leadership, program management and bring cohesion and collaboration in growing the industry clusters identified by the DOE-funded study.

According to the August 8, 2002 *Albuquerque Journal*, Sandia and Los Alamos National Laboratories will jointly receive \$75.8 million for the design and construction of buildings to house the Center for Integrated Nanotechnologies (CINT).

Federal government employment declined by approximately 370 jobs from 1996 to 2001, due to DOE reductions as well as the Bureau of Indian Affairs centralizing some of their functions. Federal government employment increased by several thousand in 2000 due to the hiring of census workers, but the short duration of these jobs resulted in the second quarter of 2000 having an increase of only 670 jobs over the previous quarter. In 2002, the federal government increased employment as the Transportation Safety Administration took over baggage screening operations at Albuquerque International Sunport.

In the same time period of 1996 to 2001 when the federal government was reducing, local government employment increased by 3,617 jobs. In part this is due to the inclusion of Indian Casinos in this sector. Since early 1995 when gaming compacts were signed with the State,

Indian casinos have grown substantially. The three casinos in the Albuquerque MSA - Isleta Gaming Palace, Santa Ana Star Casino and the Sandia Pueblo Casino - are expanding. Isleta Gaming Palace casino and resort opened at the end of 2000. Santa Ana Star Casino expanded its casino in the spring of 2001 by 33,000 square feet; however, approximately 200 employees at Santa Ana Star Casino were laid off in June 2002. In the spring of 2001, the Hyatt Tamaya resort hotel opened and the Sandia Pueblo opened a new casino and an amphitheater. All three casinos have expanded their restaurant offerings and other entertainment. According to the Casinos, as of the fall of 2001, employment for the three local Casinos was approximately 5,000.

### *Manufacturing*

Albuquerque's manufacturing sector accounted for 7.9% of total MSA nonagricultural employment in 2000. Employment in the Albuquerque MSA's small manufacturing sector increased 22.0% between 1989 and 1995 despite layoffs by defense contractors, a national recession and corporate restructurings. Manufacturing employment within the MSA was flat in 1996 and 1997, declined by 3.2% in 1998 and another 6% in 1999. In 2000 the sector added over 1,000 jobs, resulting in a 4% increase. In 2001 the sector experience slight growth of about 200 jobs, though employment had started declining by the end of the year.

Much of the weakness in manufacturing in 1998 and 1999 was due to the world financial crisis in the fall of 1998. Because New Mexico semiconductor manufacturers trade heavily with Asia, the crisis caused substantial work slowdowns. From the first quarter of 1997 to the last quarter of 1999 there were approximately 2,000 manufacturing jobs lost (net) -approximately 1,500 in durable manufacturing (most of which was in electronics, including Intel, Philips Semiconductors and Motorola) and 500 in non-durables (primarily Levi Strauss). However, during this period of decline, other firms expanded or opened. EMCORE built a facility in 1998 to manufacture solar cells and CVI Laser, a designer and constructor of high tech lenses, also expanded in 1998. Allied Signal received authorization to issue industrial revenue bonds to refurbish the old Levi Strauss plant and build small gas turbine generators.

The slow down in the manufacturing industry nationwide has also affected Albuquerque. Philips began a large expansion in 2001; then in the Fall of 2002 announced that in Fall 2003 it would close the Albuquerque plant, eliminating approximately 600 jobs. Several other manufacturers have reduced their operations. Honeywell closed its turbine plant in 2001; in 2002 it reduced staff at its avionics plant by 140 workers, and closure of its building controls plant, representing 160 workers is scheduled for 2003. Emcore over the years of 2001-2002 laid off over 200 workers.

In the past, tenants of the 240-plus acre Sandia Science & Technology Park have indicated their expectation to increase employment in the manufacturing sector. The Park is intended to help with technology transfer from the labs, giving firms access to special equipment and expertise only available at Sandia. EMCORE, the first resident of the Park, opened an expansion to their facility in January 2001. With the expansion, employment was approximately 500 workers as of October 2001. Over the past two years, however, Emcore has laid off over 200 employees, as noted above. Team Specialty Products ("TSP"), the second tenant at the Park, opened a new facility in October 2000. TSP, a strategic partner of Sandia, designs and supplies

high tech, sophisticated electro-mechanical devices for Sandia's pulse-power program. Sandia is continuing to develop strategic partnerships with other high tech companies, which could bring additional high tech jobs - manufacturing and research - to the area. Firms involved with both Sandia and the businesses already present in the Park have moved to the Park, including Microdexterity (robotics), Training Solutions (seminars for the electronics industry), Analytical Solutions (analytical electronic parts lab), Picodyne (semiconductors and "Ultra-low Power" technology), and Cooperative Monitoring Center (forum for using technology to facilitate security objectives).

Another new manufacturer, Eclipse Aviation Corporation, is setting up headquarters near the Double Eagle Airport with plans to manufacture a small two-engine jet. The plant, expected by Eclipse Aviation to employ approximately 2,000 workers, would also diversify the City's economy. Eclipse Aviation's first jets were scheduled to be produced in 2004. Recently, however, Eclipse has announced that the engine it intended to use in the jet would not provide sufficient thrust, and Eclipse is negotiating with other potential engine manufacturers. It is not yet known what effect this will have on Eclipse's schedule.

Finally, much of the manufacturing activity has occurred outside the City limits, and outside Bernalillo County, but within the Albuquerque MSA. Rio Rancho in Sandoval County has had considerable success in industrial recruitment, including Intel, the largest manufacturer in the state, and Lectrosonics, a manufacturer of wireless microphone systems, and AeroParts Manufacturing and Repair, a manufacturer of aircraft sheet metal components. Intel completed a \$2 billion expansion in June 2002.

#### *Finance, Insurance and Real Estate*

The finance, insurance and real estate sector ("FIRE") experienced increases in employment in 1992 through 1996, before declining slightly (1.2%) in 1997. The sector increased again (4.1%) in 1998. Growth for the FIRE sector was 9% in 1999, but this was largely attributable to the reclassification of 800 jobs previously in the health services sector. Growth in the sector was flat in 2000. After remaining flat in 2000, the sector increased 1.5% in the first half of 2001.

#### *Transportation, Communications and Public Utilities*

Employment in transportation, communications and public utilities ("TCU") had annual average growth of 4.0% from 1990 to 1999, although the fluctuations were substantial from year to year. U.S. West has restructured and consolidated, and the merger with QWEST has resulted in minimal changes in Albuquerque employment. Public Service Company of New Mexico ("PNM"), the State's major electric and gas utility, has faced restructuring and workforce reductions in the 1990s and in 2002. In the Fall of 2002, PNM announced layoffs. MCI Telecommunications has expanded, and Southwest Airlines and Trace Miller (American Airlines) have opened reservation centers in the City. (See discussion under "Trade and Service Sectors" above.) These back-office operations and the Department of Labor reclassifications contributed to the 8.1% growth in TCU employment in 1995 and the 6.5% growth in 1996. Growth slowed to 2% in 1997, then increased 7.2% in 1998 and 12.5% in 1999. Some of this

was due to reclassification of jobs and expansion of the Sprint call center in Rio Rancho. See “Sources of Revenue – Local Tax Revenues” below for information about franchise fee revenues.

### *Construction*

Generally. Construction employment in the Albuquerque MSA from 1995 to 1999 hovered around 21,000. In 2000 and 2001 employment in the MSA increased as workers were added for two very large projects: the Intel expansion and the reconstruction of the Big-I interstate interchange. Employment increased to approximately 24,500 from the third quarter of 2000 to the third quarter of 2001. Employment began tapering off and was down to 23,900 in August of 2002. This is still above the level of employment prior to these two projects, which employed over 2000 workers at their peak. Residential construction has remained strong, and from 1992 to 2002 experienced a decline in value or number of units only in 2000.

The value of building permits issued in the City of Albuquerque is cyclical, but has historically increased over time. The value of permits issued for new construction, additions and alterations declined 1% in 1996 and 7% in 1997. Led by single family construction, the total value of these permits increased 9.1% in 1998 and an additional 2.8% in 1999. The value of construction permits in 2000 increased 13%. In 2001, total value had a slight decline.

Residential. Single-family housing has continued to grow in Albuquerque. Only in 2000 was there a slowdown in the number of units constructed. Through September of 2002, the number of homes permitted is up 7% while the value of these permits is up 14%. The multi-family market is very cyclical. The number of units permitted reached a low in 1992, with only 66 units, then gradually increased to around 1,800 units in 1994 and 1995. After falling to 1,000 units in 1996, it rebounded to 1,600 in 1997. There were only 367 and 390 units permitted in 1998 and 1999, respectively. In 2000 only 210 units were permitted, but in 2001, 792 units were permitted.

Non-Residential Construction. The value of new commercial permits declined from \$143 million in 1995 to a low of \$88 million in 1999. Public construction has fluctuated, but in 1995, \$17.7 million of public construction was permitted, while in 1999 the value of public construction permits totaled \$31 million. In 2000 commercial construction continued strong with a value of \$133.8 million, an increase of 52%. Public construction also was strong at \$45 million, an increase of 44%. In 2001 non-residential construction slowed and, in 2002, as of September, was at a slower pace than in 2001.

Recently, the City has constructed certain projects funded by set-aside revenues from the quality of life gross receipts tax (which sunsetted December 31, 1995), including a hands-on science museum. The only project not completed yet is a balloon museum. In addition the Alvarado Transportation Center is completed. This will be a central point for City bus service with plans to become a major transportation center. It will centralize railroad and interstate bus facilities as well as connections to the Albuquerque International Sunport. As part of an initiative to revitalize downtown Albuquerque, the City has built two major parking structures in a public-private partnership. These structures are in support of the conversion of the old 1st

National Bank building to the “Bank Lofts” Downtown and entertainment and other development near the Alvarado Transportation Center. The other structure will be built in support of the conversion of Old Albuquerque High School to commercial and residential uses. Currently a number of the 70 loft apartments are occupied. Construction of the science museum, “Explora!,” began April 28, 2000. Although the structure is complete, the museum foundation has yet to announce an opening date, due to the need to raise additional funds to cover the cost of installation of exhibits. Also, construction of a new police crime lab was completed in May 2001. The City currently has one large ongoing construction project; the renovation of the AAA baseball stadium. This is approximately \$18 million and will be completed in time for baseball to be played in the spring of 2003.

Other governmental agencies have active construction programs over the last few years. The Forest Service opened a new office structure downtown in the fall of 2001, and a regional call center was completed for Social Security, and another building is planned. The FBI and the Bureau of the Interior are proceeding on construction office building to the north of downtown. The Bureau of the Interior has broken ground and the FBI facility will begin construction in the spring of 2003. Construction by the County of a new County Courthouse and District Attorneys Office was completed in spring 2001. The County has constructed a new detention center located west of the City which will be operated by the City. The State finished a major expansion of the Natural History Museum in 2000 with a state-of-the-art Dynamax Theater, observatory, display area for New Mexico fossils, and planetarium. The State is constructing a new Albuquerque Metropolitan Courthouse - planned to open in 2003 and expected to cost \$46.5 million - and an associated multi-story parking structure to provide approximately 1,000 parking spaces. Albuquerque Technical Vocational Institute completed construction of an \$8 million workforce training center and moved to the new center in October 2000. Construction began in July of 2000 on a \$250 million reconstruction of the “Big I” interstate interchange and was completed by June 2002.

## Construction Building Permits Issued in Albuquerque (1990-2002)

Year	<u>Single Residential<sup>(1)</sup></u>		<u>Multi-Residential</u>			<u>Commercial Buildings</u>		<u>Public Buildings</u>		<u>Additions &amp; Alterations</u> \$ Value	<u>Total Permits</u> \$ Value
	# of Permits	\$ Value	# of Units	# of Permits	\$ Value	# of Permits	\$ Value	# of Permits	\$ Value		
1990	1,127	\$ 98,880,628	421	4	\$ 17,578,584	82	\$ 53,879,423	18	\$ 22,824,916	\$ 65,113,096	\$ 258,276,647
1991	1,226	115,744,159	2625	8	12,130,908	72	53,087,778	13	19,273,503	60,762,946	261,019,294
1992	1,874	177,115,776	66	11	2,637,285	53	37,570,012	11	7,066,339	69,910,015	294,110,827
1993	2,197	207,488,885	294	11	9,108,581	83	58,331,759	11	9,925,155	86,616,027	371,470,407
1994	2,576	251,689,190	1,823	8	81,981,448	106	70,568,139	11	11,777,934	106,611,217	522,627,928
1995	2,674	247,796,639	1,801	13	78,548,666	120	143,204,347	4	17,627,000	101,462,026	588,638,678
1996	2,655	257,848,588	1,013	28	43,682,962	133	114,345,530	4	9,829,833	156,878,528	582,670,441
1997	2,529	244,770,431	1,061	29	73,690,868	119	118,174,223	7	10,206,611	92,812,699	539,654,832
1998	3,449	316,741,579	367	13	12,984,822	129	113,526,149	5	4,150,517	141,112,977	588,516,044
1999	3,601	341,061,779	390	21	18,144,931	102	88,001,238	9	31,258,900	126,411,527	604,878,375
2000	3,367	318,777,857	210	14	10,513,303	123	133,839,520	10	45,144,700	176,202,823	684,478,203
2001	4,138	389,087,259	792	47	36,509,058	121	113,707,767	11	9,848,356	135,065,690	684,218,130
2001 <sup>(2)</sup>	3,296	309,900,396	752	44	35,201,331	101	95,846,600	11	9,848,356	97,467,075	548,263,758
2002 <sup>(2)</sup>	3,516	353,703,146	871	14	35,271,093	78	71,565,343	2	2,900,000	147,266,869	610,706,451
Growth 01 to 02 <sup>(2)</sup>	7%	14%	16%	-68%	0%	-23%	25%	-82%	-71%	51%	11%

Total Housing Units in the City of Albuquerque:	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>Mobile homes &amp; other</u>
As of (April 1) 1990 Census	166,870	101,780	55,931	9,159
As of (April 1) 2000 Census	198,714	126,643	63,285	8,786
1990-2000 housing units added	31,844	24,863	7,354	(373)
2001-2002 housing units added <sup>(3)</sup>	11,676	9,873	1,803	N/A
Estimated Units as of Sept. 2002	210,390	136,516	65,088	8,786

(1) Figures do not include manufactured housing.

(2) As of September 30.

(3) Growth from September 2001 to September 2002.

Sources: City of Albuquerque Planning Department; Census Bureau, U.S. Department of Commerce.

### *Historical Employment by Sector*

The following table describes by industry sector the estimated nonagricultural wage and salary employment for the Albuquerque MSA during the past ten years. The Bureau of Economic Analysis defines "earnings" as including wages and salaries, proprietor's income and other labor income (such as bonuses).

**Albuquerque MSA<sup>(1)</sup>**  
**Estimated Nonagricultural Wage and Salary Employment Annual Average Employment, 1992-2001**  
**(\$000s Omitted)**

<b>INDUSTRY</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>% Chg 1992- 2001</b>	<b>Compound Annual Rate</b>
<b>TOTAL NONAGRICULTURAL</b>	<b>276.1</b>	<b>289.5</b>	<b>307.3</b>	<b>320.2</b>	<b>326.3</b>	<b>333.1</b>	<b>338.4</b>	<b>344.2</b>	<b>354.9</b>	<b>359.2</b>	<b>30.1%</b>	<b>3.0%</b>
<b>CONSTRUCTION &amp; MINING</b>	<b>14.4</b>	<b>17.7</b>	<b>21.8</b>	<b>22.6</b>	<b>22.4</b>	<b>21.8</b>	<b>21.4</b>	<b>21.7</b>	<b>23.4</b>	<b>24.3</b>	<b>68.6%</b>	<b>6.0%</b>
<b>MANUFACTURING</b>	<b>24.5</b>	<b>26.4</b>	<b>28.4</b>	<b>29.3</b>	<b>29.4</b>	<b>29.3</b>	<b>28.4</b>	<b>26.8</b>	<b>28.1</b>	<b>28.3</b>	<b>15.6%</b>	<b>1.6%</b>
Durable Goods	18.6	19.9	21.3	21.8	22.2	22.8	22.1	20.6	21.4	21.5	15.7%	1.6%
Nondurable Goods	5.9	6.6	7.1	7.5	7.1	6.5	6.3	6.2	6.7	6.8	15.1%	1.6%
<b>TRANSPORTATION AND PUBLIC UTILITIES</b>	<b>12.9</b>	<b>12.9</b>	<b>13.2</b>	<b>14.3</b>	<b>15.2</b>	<b>15.5</b>	<b>16.6</b>	<b>18.9</b>	<b>19.8</b>	<b>19.9</b>	<b>54.2%</b>	<b>4.9%</b>
Transportation	7.4	7.7	8.1	8.8	8.8	9.1	9.2	9.6	9.8	9.2	25.0%	2.5%
Communication and Public Utilities	5.6	5.2	5.1	5.5	6.4	6.4	7.4	9.2	10.0	10.8	94.6%	7.7%
<b>TRADE</b>	<b>66.9</b>	<b>69.8</b>	<b>73.8</b>	<b>76.6</b>	<b>79.0</b>	<b>80.8</b>	<b>81.5</b>	<b>81.3</b>	<b>83.0</b>	<b>83.6</b>	<b>24.9%</b>	<b>2.5%</b>
Wholesale Trade	14.6	14.9	15.3	15.1	15.6	16.4	16.6	16.7	16.6	16.2	10.8%	1.1%
Durable Goods	9.2	9.3	9.4	9.4	9.7	10.4	10.6	10.9	10.9	10.6	15.0%	1.6%
Nondurable Goods	5.4	5.7	5.9	5.7	5.9	6.1	6.0	5.8	5.7	5.7	5.6%	0.6%
Retail Trade	52.3	54.9	58.5	61.5	63.4	64.3	64.9	64.6	66.4	67.4	28.9%	2.9%
General Merchandise Stores	5.3	5.6	5.8	6.0	6.4	6.6	6.9	7.3	7.5	7.7	44.8%	4.2%
Food Stores	6.0	6.3	6.7	6.9	7.1	7.2	6.9	6.5	6.3	5.9	-1.8%	-0.2%
Auto Dealers & Service Stations	5.7	6.0	6.3	6.7	7.0	7.0	7.1	6.9	7.0	7.1	25.5%	2.6%
Eating & Drinking Places	20.4	21.7	23.6	24.8	25.0	24.8	24.7	24.8	26.0	26.6	30.4%	3.0%
Other Retail Trade	14.9	15.2	16.1	17.1	17.9	18.7	19.4	19.1	19.6	20.0	33.9%	3.3%
<b>FINANCE, INSURANCE AND REAL ESTATE</b>	<b>14.8</b>	<b>15.1</b>	<b>16.0</b>	<b>16.4</b>	<b>17.0</b>	<b>16.8</b>	<b>17.5</b>	<b>18.8</b>	<b>18.9</b>	<b>19.5</b>	<b>31.5%</b>	<b>3.1%</b>
Depository Institutions	4.6	4.5	4.6	5.2	5.3	5.1	4.9	4.9	4.9	5.2	14.3%	1.5%
Insurance Carriers, Agents & Brokers	5.0	5.3	5.3	5.2	5.0	4.6	5.2	6.2	6.6	7.0	39.5%	3.8%
Other F.I. and R. E.	5.3	5.7	6.0	6.0	6.7	7.1	7.4	7.7	7.4	7.2	36.9%	3.6%
<b>SERVICES</b>	<b>85.7</b>	<b>88.5</b>	<b>94.3</b>	<b>100.1</b>	<b>101.1</b>	<b>104.7</b>	<b>107.2</b>	<b>110.2</b>	<b>113.9</b>	<b>114.9</b>	<b>34.1%</b>	<b>3.3%</b>
Hotels and Other Lodging Places	4.0	4.1	4.3	4.4	4.4	4.5	4.5	4.6	4.6	4.9	23.5%	2.4%
Personal Services	2.7	2.8	3.0	3.1	3.1	3.2	3.1	3.1	3.1	3.0	10.4%	1.1%
Business Services	16.8	16.6	19.5	21.7	21.5	23.0	24.8	27.0	28.7	27.1	61.7%	5.5%
Health Services	19.8	20.7	21.4	23.0	23.8	25.2	25.0	24.7	25.2	25.8	30.6%	3.0%
Social Services	5.4	5.8	6.0	6.4	6.8	7.2	8.0	8.9	9.7	10.2	88.3%	7.3%
Membership Organizations	3.7	3.8	3.9	3.8	3.6	3.5	3.8	3.9	3.8	3.9	6.6%	0.7%
Engineering & Management Services	18.0	18.8	10.6	20.1	19.9	19.5	19.5	19.4	19.9	20.3	12.8%	1.3%
Other Services	15.4	16.0	16.7	17.8	18.1	18.7	18.6	18.5	19.1	19.6	27.2%	2.7%
<b>GOVERNMENT</b>	<b>56.9</b>	<b>58.7</b>	<b>59.8</b>	<b>60.9</b>	<b>62.3</b>	<b>64.2</b>	<b>65.8</b>	<b>66.5</b>	<b>67.8</b>	<b>68.8</b>	<b>21.0%</b>	<b>2.1%</b>
Federal Government	14.7	14.8	14.7	14.4	14.1	14.0	14.0	13.8	14.0	13.7	-6.5%	-0.7%
State and Local Government	42.2	43.9	45.1	46.5	48.3	50.1	51.7	52.7	53.9	55.1	30.5%	3.0%
State Government	16.3	16.9	17.5	17.8	19.1	20.9	21.3	21.5	22.1	22.3	36.5%	3.5%
Local Government	25.9	27.0	27.6	28.7	29.2	29.2	30.5	31.2	31.7	32.8	26.8%	2.7%

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.  
Source: Data provided by the New Mexico Department of Labor Table A - Civilian Labor Force, Employment, Unemployment Rate 2000.

## Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States.

### Per Capita Personal Income<sup>(1)</sup>

<u>Calendar Year</u>	<u>Albuquerque MSA<sup>(2)</sup></u>	<u>New Mexico</u>	<u>United States</u>
1992	\$18,589	\$16,274	\$20,960
1993	19,505	16,999	21,539
1994	20,614	17,636	22,340
1995	21,563	18,435	23,255
1996	22,301	18,964	24,270
1997	23,099	19,641	25,412
1998	24,043	20,551	26,893
1999	24,598	20,891	27,880
2000	25,894	21,837	29,770
2001	NA	23,155	30,472

(1) The Bureau of Economic Analysis revised the definition of personal income in 2000 and all historical data was revised accordingly.

(2) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

Sources: Bureau of Economic Analysis, U.S. Department of Commerce, June 2001.

The following table presents historical data on earnings by industry for the Albuquerque MSA for the years 1990 through 2000, the latest year for which such information is available.



**Albuquerque MSA<sup>(1)</sup>  
Earnings by Industry, 1992-2000**

Albuquerque MSA <sup>(1)</sup> Earnings by Industry, 1991-2000												
(Thousands of Dollars)											Growth	Compound
Industry Sector	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1991 to 2000	Rate
Ag. services, forestry, fishing, & other	\$ 27,052 <sup>(1)</sup>	\$ 31,224	\$ 36,998	\$ 39,087	\$ 44,450	\$ 48,314	\$ 55,315	\$ 54,544 <sup>(2)</sup>	\$ 59,901 <sup>(2)</sup>	\$ 63,365 <sup>(2)</sup>	134%	10%
Mining	13,019 <sup>(1)</sup>	15,819	18,974	30,929	25,303	24,433	26,491	18,004 <sup>(2)</sup>	14,567 <sup>(2)</sup>	16,307 <sup>(2)</sup>	125%	9%
Construction	402,245	471,529	610,693	786,095	840,894	821,546	781,874	821,354	853,384	998,710	148%	11%
Manufacturing	797,627	826,272	905,319	1,062,163	1,108,796	1,159,399	1,260,800	<sup>(3)</sup>	<sup>(3)</sup>	<sup>(3)</sup>	58%	5%
Transportation and public utilities	481,311	492,003	504,799	537,322	554,304	582,218	611,535	698,353	778,675	848,859	76%	7%
Wholesale trade	444,316	482,732	507,355	555,622	587,428	604,784	651,223	675,175 <sup>(2)</sup>	694,454 <sup>(2)</sup>	723,346 <sup>(2)</sup>	63%	6%
Retail trade	786,072	864,009	926,569	1,015,293	1,092,385	1,157,454	1,230,607	1,274,096	1,320,473	1,371,286	74%	6%
Finance, insurance, and real estate	415,138	475,384	553,445	574,626	624,965	659,926	712,606	761,218	854,717	870,061	110%	9%
Services	2,520,077	2,714,825	2,962,601	3,140,502	3,460,152	3,599,195	3,706,299	3,976,304	4,133,579	4,407,904	75%	6%
Government and government enterprises	1,950,938	2,076,337	2,184,392	2,316,939	2,418,706	2,521,417	2,648,573	2,745,555	2,812,812	2,939,423	51%	5%
Federal, civilian	662,304	718,890	764,310	819,297	818,924	828,533	841,599	877,326	876,587	911,855	38%	4%
Military	264,048	272,744	267,086	265,887	287,546	307,268	301,207	296,620	291,379	292,981	11%	1%
State and local	1,024,586	1,084,703	1,152,996	1,231,755	1,312,236	1,385,616	1,505,767	1,571,609	1,644,846	1,734,587	69%	6%
Total-All Industries	\$7,840,324	\$8,450,134	\$9,211,145	\$10,058,578	\$10,757,383	\$11,178,686	\$11,685,323	\$12,314,890	\$12,804,101	\$13,714,256	75%	6%

Bureau of Economic Analysis May 2002.

- (1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.
- (2) The estimate shown here constitutes the major portion of the true estimate.
- (3) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

The following two tables reflect Median Household Effective Buying Income (“EBI”) (1992-2001) and the Percent of Households by EBI Groups 2001 as reported in the annual surveys of buying power in Sales and Marketing Management Magazine. EBI is defined as money income less personal tax and non-tax payments. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of “in kind” income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

**Median Household Effective Buying Income  
(1992-2001)**

Calendar Year	Bernalillo County	New Mexico	United States
1992	\$30,566	\$26,920	\$33,178
1993	32,162	28,677	35,056
1994	33,978	30,032	37,070
1995 <sup>(1)</sup>	31,051	26,499	32,238
1996 <sup>(1)</sup>	32,226	27,503	33,482
1997 <sup>(1)</sup>	31,240	27,744	34,618
1998 <sup>(1)</sup>	33,505	28,795	35,377
1999 <sup>(1)</sup>	35,517	29,992	37,233
2000 <sup>(1)</sup>	35,712	30,322	39,129
2001 <sup>(1)</sup>	38,772	32,083	38,365

(1) Beginning in 1995, EBI is based on “money income” rather than “personal income,” and is not directly comparable with previous estimates. Money income does not include the value of “in-kind” income, such as food stamps and medical care, and does not include lump sum receipts, such as inheritances and tax refunds. For details, see the notes in the 2002 Survey of Buying Power referenced below.

Sources: 2002 Survey of Buying Power, Sales and Marketing Management Magazine, September 2002 and previous annual surveys from the same source.

**Percent of Households by  
Effective Buying Income Groups - 2001**

<u>Effective Buying Income Group</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>United States<sup>(1)</sup></u>
Under \$20,000	20.6%	28.0%	22.0%
\$20,000-\$34,999	24.9%	27.3%	23.5%
\$35,000-\$49,999	19.5%	18.6%	19.3%
\$50,000 and over	35.0%	26.1%	35.2%

(1) United States percentages were calculated from the number of households.

(2) All figures for "Under \$20,000" are residual percentages.

Source: 2002 Survey of Buying Power, Sales and Marketing Management Magazine, September 2002.

**FINANCIAL INFORMATION**

**General**

*Taxes and Revenues*

The City is a home rule charter municipality, chartered as a town in 1885. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration and the local-option gross receipts tax. An election to impose the local-option gross receipts tax must be called if required by statute or if the governing body provides in the ordinance that the tax shall not be effective until approved at an election or upon the filing of a petition meeting certain requirements requesting that an election be held. The City does not have the power to impose a tax on income.

The general policy of the City is to impose charges for services where those who benefit from the service are easily identified and charged according to their use and benefit. Thus, water, sewer, refuse and airport services are self-supporting. Permits and inspection fees are established in relation to the cost of providing control and inspection and as permitted by law. Other fees, including admission fees to the zoo, fees charged participants in adult sports programs, rider charges for transit services, charges for municipal parking facilities, and fees charged for filing of plats and subdivisions, help defray some of the costs of providing these services.

*Budget Process - Operating Funds*

The City operates on a fiscal year basis, from July 1 through June 30. Pursuant to the City Charter, the Mayor, in consultation with the Council, formulates the City's operating budget and submits it to the City Council on or before April 1 of each year. The budget is prepared on the modified accrual basis consistent with the City's basis of accounting. The City Council is required to hold at least three public hearings and must adopt a budget within 60 days after it is

proposed by the Mayor or the Mayor's proposed budget is deemed adopted. The annual City operating budget determines departmental appropriations by program. Expenditures may not legally exceed such appropriations. The financial officers and staff of each department are responsible for monitoring and controlling the expenditures of their departments to ensure that budgeted appropriations for their departments are not exceeded. The City's Office of Management and Budget monitors expenditures as well as revenues and uses that information to re-evaluate the budget during the course of the fiscal year. Budget amendments during or after the end of the fiscal year require approval of the Mayor and the City Council except that the Mayor has authority to adjust program budgets up to 5% or \$100,000, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the budget for City government as a whole.

#### *Budget Process - Estimates, Forecasting and Revision of Revenues*

In May or June of each year the City Council adopts a budget for the upcoming fiscal year (beginning July 1). The City produces several revenue forecasts for five-year periods (referred to as "five-year forecasts") in the process of preparing and, later, re-evaluating this budget. Five-year forecasts are prepared by the Office of Management and Budget in November and December of each year. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of such budget and provide a starting point for preparation of the next year's budget. The Multi-Year Forecast Advisory Committee, comprised of experts from City government, the University of New Mexico, State government and the private sector, reviews this forecast and makes recommendations. After incorporating any recommendations of the Advisory Committee, the five-year forecast is presented to the City Council. If necessary, adjustments to the existing budget may be considered and adopted by City Council in response to the five-year forecast. In addition, in response to changing conditions, the City can amend the budget at any time during the year.

In February 2002, a five-year forecast (the "2002 Forecast") was presented to City Council and forecasted revenues for Fiscal Years 2002 through 2006, including a downward adjustment to revenues for Fiscal Year 2002 from that reflected in the Fiscal Year 2002 budget, as discussed below in "Fiscal Year 2002 (Budgeted, Adjusted and Actual Revenues)." The 2002 Forecast was used to develop the budget for Fiscal Year 2003, which was approved by City Council in June 2002 (the "2003 Budget").

#### *Budget Process - Capital Funds*

The budget amounts of the capital project funds, and certain of the special revenue funds, are individual project budgets authorized by the City Council for the entire length of the project, which are not necessarily the same as the fiscal year of the City. Pursuant to City ordinance, the Mayor develops a capital improvements program ("CIP"), which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the City Council by January 23 of each odd-numbered year. See "Capital Improvements Program" below. The City Council is required to hold at least one public hearing and must approve the budget as proposed or as it amends it within 60 days after the submission date. The Mayor may change the amount designated for a specific capital project in a CIP budget without Council approval if the total change does not exceed 20% of the original amount designated for the

project. A City ordinance also sets forth requirements for City Council review and approval of certain applications or proposals for federal grants. Once the Council has approved such a grant application, the Mayor is authorized to expend any funds awarded as a result of the grant application if such grant does not require the City's commitment of funds or resources which were approved by the Council to be increased by more than 10%, and if the goals, objectives and proposed programs included in the application approved by the Council have not changed.

## **The General Fund**

### *General Fund Revenues*

The general fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of general fund revenues in Fiscal Years 2000, 2001, and 2002, including changes made to the revenue forecasts for those fiscal years, and events affecting particular revenues significant to the general fund. As to the information concerning particular revenues, those discussions include projections of Fiscal Year 2003 revenues as presented in the 2003 Budget. Due to the continuing weakness in the economy and certain other circumstances, it appears unlikely that Fiscal Year 2003 revenues will meet such expectations for projected revenues. The FY2003 Forecast has been revised downward, as discussed in - "Fiscal Year 2003 (Approved Budget and Adjustments to Revenues)".

Fiscal Year 2002 (Budgeted, Adjusted and Actual Revenues). The Approved 2002 Budget estimated revenues for Fiscal Year 2002 at \$328.5 million, an increase of 4.1% above actual revenues of Fiscal Year 2001. The increased budget amount was attributable primarily to an anticipated increase in gross receipts tax revenues (see "Gross Receipts Tax" below), although the City had also increased fees charged for entrance to the City's zoo, aquarium, and museum. Due to the continuing weakness in the economy and certain other circumstances, Fiscal Year 2002 revenues did not meet such budgeted revenue levels. At mid-year, as the situation was re-evaluated, budgeted revenues were adjusted downward. Actual revenues for Fiscal Year 2002 were only \$317.5 million. The largest source of this decline is gross receipts tax revenue, the growth of which has fallen substantially.

Fiscal Year 2003 (Approved Budget and Adjustments to Revenues). The 2003 Budget anticipated revenues of \$339.2 million, which represented an increase of 3.5% over the revenues estimated in the 2002 budget after the second adjustment. In October 2002, the administration notified the City Council that the revenue estimate for the City's general fund for the current fiscal year had been revised downward by \$11.1 million. The City Council adopted a bill reducing the general fund budget by \$4.6 million. In December 2002, the City Council was notified that the shortfall previously estimated at \$11.1 million was now estimated at \$9 million. The City Council adopted a resolution making further reductions to the budget. The increase reflected anticipated growth in gross receipts tax revenue of approximately two percent plus additional growth resulting from the annexation of certain commercial property. The budget also reflected increased fees to be charged by the City in many areas.

Sources of Revenue. The following sections describe the levels of particular revenues estimated for Fiscal Year 2003:

Gross Receipts Tax. The gross receipts tax (“GRT”) is the single largest source of revenue for the general fund, representing approximately 70% of revenues. The State collects this tax for all local governments and distributes it on a monthly basis. It is a broad-based tax similar to a sales tax, but applies to both goods and services, and therefore moves with the general economy, particularly employment growth and inflation. In recent years, the rate of growth of GRT revenue has slowed. GRT revenues for Fiscal Year 2002 were \$225.7 million, which was a .7% increase over the prior fiscal year. The 2003 Budget anticipated GRT revenues of \$237.4 million, or an increase of 2.6% over estimated revenue for Fiscal Year 2002 at the time the 2003 Budget was prepared. Since the approval of the 2003 Budget, the City has adjusted its estimated GRT revenues for the fiscal year down to \$230 million.

The City believes there are a number of reasons for the decline in the rate of growth of GRT revenues. First, as a general matter, GRT revenues fluctuate with the general economy, particularly employment rates and inflation. As job growth declines, spending increases do not occur and potential GRT revenues are not received. Recent economic information indicates that local job growth stalled during Fiscal Year 2002. In addition to a lagging local economy, GRT revenues have likely been adversely impacted by increasing levels of internet sales, the presence of Indian gaming, increasing availability of goods and services outside City limits, and the growing number of goods and services that have been exempted from GRT taxation by State law.

Intergovernmental Revenues. Intergovernmental revenues consist of the following revenues from other governmental agencies: grants, which currently consist of grants received from the State for fire protection, state-shared revenues, and county-shared operational revenues.

State-shared revenues are collected by the state and shared with local government. These are revenues associated with GRT (see “FINANCIAL INFORMATION - Gross Receipts Taxes”), gasoline taxes, vehicle sales, cigarette sales, and court fee collections. This category of revenues has changed dramatically in the past three years. State-shared gasoline tax revenue, estimated at \$4.6 million, is no longer transferred to the general fund. In addition, the State legislature has required that certain court fees amounting to approximately \$400,000 to \$600,000 per year be used for other purposes.

County-shared operational revenues are payments received by the City from Bernalillo County for services provided pursuant to agreement between the City and the County. For example, the City provides insect control in unincorporated areas of the County and collection of hazardous household waste County-wide. County-shared operational revenues have generally ranged from \$200,000 to \$300,000 per year. The 2003 Budget estimated an additional payment from the County of \$500,000 for certain services relating to a newly constructed City crime lab. That payment is no longer expected to be made, and County-shared revenue payments for Fiscal Year 2003 are expected to be within the usual range of \$200,000 to \$300,000.

In general during 2002, growth in intergovernmental revenues (excluding GRT) has been limited. In Fiscal Year 2002, the intergovernmental revenues (excluding GRT) were \$4.8 million, for a 12% increase over the prior fiscal year, but some of this growth was due to a \$300,000 payment from the State to help fund a conference. Growth was still 4% for the year led by an increase in revenues from motor vehicle excise taxes.

Licenses and Fees. Licenses and fees include revenue from liquor licenses, animal permits, fees for health inspections, and, the largest source, building permits. Generally permits revenues have grown with the population and some fee increases. In Fiscal Year 2003, various fees were increased to amounts closer to regional averages charged for such services. Budgeted revenues reflect the new fees, but are limited by expectations of slowing construction activity. The 2003 Budget also reflected certain expected fee increases which were not implemented, however, and that revenue loss was addressed when the 2003 Budget was adjusted in October 2002. Revenues for licenses and fees for Fiscal year 2002 were \$8.6 million, approximately 2.3% below the adjusted budgeted amount. The 2003 Budget estimated licenses and fees at \$10.2 million.

Local Tax Revenues. Local tax revenues include municipal GRT, property taxes, franchise fees, and payments in lieu of taxes (“PILOT”)

See “Property Taxes” below for information about property taxes, including rates and limitations. Property tax revenues totaled \$15.8 million for Fiscal Year 2002, which represented an increase of 3% over the prior fiscal year. The 2003 Budget initially estimated property tax revenue for Fiscal Year 2003 at \$16.3 million but, as adjusted, now estimates property tax revenues of \$17.2 million. The adjusted estimate includes certain property tax revenues which were ultimately booked to Fiscal Year 2002; therefore, the City now anticipates property tax revenues in Fiscal Year 2003 to equal the estimate in the 2003 Budget.

PILOT is a charge to each of the enterprise funds for taxes that would be payable to the City if those functions were operated by private entities. The fees are paid by Water/Wastewater (Joint Water and Sewer), Solid Waste, Golf, Transit and Parking. PILOT revenue in Fiscal Year 2002 was \$5.5 million, and budgeted PILOT revenue for Fiscal Year 2003 is \$5.8 million.

Franchise fees are fees charged to local utilities for using City-owned right-of-way or otherwise operating a franchise. Pursuant to agreement with the City, franchisees are required to pay the City a percentage of their gross revenues. There are three primary groups of franchises: telecommunications/cable TV, water and energy, and most franchise holders are regulated by the State Public Regulation Commission.

Telecommunications franchisees include QWEST (successor to U.S. West) and three competing providers of local telephone service. Comcast acquired the cable TV franchise from Jones Intercable and is now competing with the phone companies by offering high-speed Internet access. Although the PRC does not in general regulate these types of services, they are regulated by the Federal Communications Commission (FCC), and by franchise agreements with the City. Early in 2002, the FCC ruled that high-speed internet access offered by cable companies is an informational service and not subject to franchise agreements. This ruling has been appealed, but Comcast is not currently paying franchise fees on this part of its revenues. Pursuant to its franchise agreement with the City, Comcast made a payment of \$1.1 million to the City, but Comcast may recover this amount in annual amounts not to exceed \$275,000 from the incremental increases in franchise fees (as compared to franchise year one) generated in each year beginning in franchise year four and continuing until the total amount is recovered.

A local water company, New Mexico Utilities, also holds a franchise, which generated franchise revenue of about \$135,000 in Fiscal Year 2002.

The other franchises are electric and natural gas, held by Public Service Company of New Mexico ("PNM"). These revenues are impacted by the weather. Franchise revenues for the electric franchise were \$5.6 million in Fiscal Year 2002 and were estimated at \$5.9 million in the 2003 Budget.

Revenues for the natural gas franchise were \$1.89 million in Fiscal Year 2002 and were estimated at \$2.48 million in the 2003 Budget. However, the 2003 Budget reflected an anticipated increase in the franchise fee from 2% of gross revenues to 3% based on the City's expectation that the franchise agreement with PNM would be amended. The agreement has not been amended and there is no agreement with PNM with respect to such an amendment. Thus, although the anticipated increased revenues are reflected in the 2003 Budget, \$850,000 has been reserved and therefore cannot be appropriated.

Overall, franchise fee revenue for Fiscal Year 2002 totaled \$15.3 million. Franchise fee revenue for Fiscal Year 2003 is estimated at \$17 million, including the additional natural gas franchise fees discussed above.

Charges for Services. This category includes fees charged for the general public to use City facilities as well as fees for services such as recreational sports fees, charges for off-duty police officers, and streets and roads. In addition to charges to the general public, fees are charged internally to other City departments for various services and to Bernalillo County to operate libraries constructed by the County. Charges for services in Fiscal Year 2002 totaled \$15.7 million, and are estimated at \$18.3 million in the 2003 Budget. This estimate reflects the failure of some expected revenues (such as revenues from an expected ambulance contract for the Fire Emergency Management System and a fee from the cable company to pay for public access television) to materialize as well as increases in certain fees. In Fiscal Year 2002 fees were increased at several City venues. Entrance fees at the zoo and aquarium were increased by \$2.00 for adults and the Albuquerque Museum, which previously had not charged an entry fee, now charges \$2 for adults and \$1 for children. Shooting range fees were increased an average of \$1.50, and zoning permit fees were increased to cover inflation.

Transfers. Inter-fund transfers include transfers of revenues to the general fund from other funds of the City. These recurring revenues are generally payments from a fund to provide a specific service or to disburse tax money collected by the general fund. The largest sources of recurring transfers are from cigarette tax revenues from the recreation fund and transfers from the solid waste and water funds to fund environmental mandates. Transfers for Fiscal Year 2003 have been estimated at \$1.6 million.

Interest. Interest earnings were budgeted at \$2.4 million in the original approved budget for Fiscal Year 2002 and then adjusted downward to \$1.5 million. Actual interest earnings for Fiscal Year 2002 were \$973,684, due to both lower interest rates and lower cash balances than originally anticipated. Interest earnings are estimated in the 2003 Budget at \$2.1 million.



Miscellaneous. Miscellaneous revenues include fees and forfeitures, which are estimated at \$40,000 for Fiscal Year 2003, and other miscellaneous revenue.

### *General Fund Appropriations*

Fiscal Year 2003 Budget. The 2003 Budget establishes the financial plan for City government for that fiscal year. The financial plan is guided by three principal themes: improve public services through new budget initiatives, make existing government more efficient and effective, and pursue constructive and collaborative leadership. Early in the budget cycle, it became obvious that the anticipated growth in revenues, which was estimated at 1.9% for Fiscal Year 2003, would not be sufficient to support the existing service level, given an expanding population and modest inflation. The initial examination of the general fund led to the conclusion that there was a \$13.2 million gap between costs of operations, with modest enhancements, and anticipated revenues. As a first step to meeting this challenge, criteria were established as a framework for budget development. First consideration was given to the policy direction of the administration – improve public services, make government more efficient, and support collaborative leadership. Next, fundamental budgeting policies were established: budgets must be realistic because department directors that overspend their budgets risk termination. The following policies were adopted:

## BUDGET POLICIES

### ADMINISTRATION POLICY GUIDANCE

- Improve public services – especially public safety services – through new initiatives
- Make City government more efficient and effective to provide savings
- Support constructive and collaborative leadership

### BUDGET DEVELOPMENT POLICY

- Budget Realistically – look to the history of actual expenditures
- Preserve the fiscal health of the City – look for the out year impact of today’s decisions
- Minimize layoffs by placing employees whose jobs are targeted into vacant funded positions
  - Protect the City’s capital investment by not closing facilities and funding maintenance
  - Reduce the assumed “vacancy salary savings rate” to a more realistic 1.5%

### FINANCIAL POLICIES

- Maintain a five percent operating reserve
- Balance recurring appropriations with recurring revenues

A few new initiatives to improve public services and to provide efficient and effective government were funded. Funding capacity for the proposed policy initiatives was found by reallocating existing financial resources, looking for increased organizational efficiency, and increasing certain fees. The result of the actions taken is a budget with total appropriations of \$336.5 million, a 2.9% increase over the mid-year Fiscal Year 2002 budget or a 3.7% increase over the originally approved Fiscal Year 2002 Budget.

### **Policy Initiatives to Improve Public Service**

Police Cadet Classes. The City's effort to improve public service gives top priority to enhancing public safety. The 2003 Budget funds two police cadet classes, including equipment and vehicles, that will cover attrition of current officers and should also provide for sufficient growth to allow the police department to reach the authorized number of sworn officers (930 without the retention program). The combined cost of the two cadet classes is \$4 million. Funding for the second class and associated vehicles is held in reserve until mid-year. An officer retention plan is funded to retain an additional 25 officers for a total of 955 by year end. However, it should be noted that funding assumes a 1.5% vacancy savings rate. Without these two cadet classes and conservatively estimating retirements, the number of sworn officers could be as low as 874. Funding is also provided to replace high-cost, high-mileage police vehicles.

Nuisance Abatement. The City's Legal Department has created a five-attorney unit that will oversee efforts to close down nuisance property, seize vehicles in DWI cases and fight graffiti. Lawyers have been reassigned from other legal duties to this unit with no additional impact on the general fund. Due to this unit, the Department expects to double the number of vehicle forfeitures, cases brought against graffiti offenders and the number of nuisance-abatement lawsuits.

One Stop Shop. Improved service will be provided to the public in Fiscal Year 2003 when the One Stop Shop, as originally envisioned, becomes fully functional. The building and development services function and selected construction management functions of the Public Works Department will merge into the Planning Department. These two activities are critical functions of the One Stop Shop. Upon this merger, all functions of the One Stop Shop will be organizationally located in the Planning Department where one individual will oversee and be responsible for all operations.

September 11. In the aftermath of September 11, 2001, many local governments are reviewing and enhancing their emergency response operations, particularly with regard to man-made disasters. The budget includes resources and staff to allow the City to focus on the need to deal with the consequences of major emergencies. The major funding source for this effort is expected to be intergovernmental grants.

Bosque Reclamation. The bosque adjacent to the Rio Grande is a unique environmental resource that must be protected. This budget funds the first year of a five-year project to remove non-native species, as well as dead and downed wood, and restore native trees, shrubs and grasses. The result will be a healthier, safer and more sustainable Bosque that is free of high water-using exotic vegetation, safer from wildfires and that provides opportunities for recreational activities. A \$212,000 appropriation from the Open Space Expendable Trust Fund is

combined with a \$400,000 grant from the Public Works Department. City staff is currently pursuing federal grant funding.

Youth Programs - Other policy initiatives to better serve the City's youth are also funded, including \$40,000 to coordinate with Albuquerque Public Schools to develop a music program in the elementary schools and \$10,000 to provide a local internship opportunity to high school youth and internships in Washington, D.C. for two university students.

### **Initiatives to Provide Efficient and Effective Government**

City/County Unification. The 2003 Budget provides \$150,000 to address questions such as the form of government service delivery, creation of a blended tax structure, consolidating different financial systems, public safety coordination, etc., to prepare for unification.

e-Government. Efficiency in the 21st century depends upon technology. The City will develop and enhance web applications and begin the enterprise resource planning system, consolidating financial, human resources, water billing and records systems.

Transit Reorganization and Fixed-Route Bus Service. The general fund subsidizes about \$17 million in transit services each year. In an effort to achieve more efficiency, reorganization consolidates five managerial divisions into a single unit and reduces staffing in other areas for a total savings of \$500,000. Bus route ridership was reviewed to eliminate inefficiencies and City Council's mandate to serve the transit-dependent is honored. Weekend service, which is critical to transit-dependent citizens, is preserved. Approximately \$5 million from the quarter cent transportation tax is included in the Transit Department budget.

Reinstatement of Fund 730. Fund 730 was designed to fund vehicles and computer equipment. Newer vehicles reduce repair and maintenance costs. Additionally, cars and computers should be routinely replaced to avoid large fluctuations in purchasing patterns. The City has returned to a routine pattern of funding vehicle and computer replacement. The 2003 Budget contains \$1.5 million for Fund 730, as well as \$3 million in other funding for police vehicles.

APD Reorganization. In order to improve the effectiveness of Albuquerque Police Department investigations, the 2003 Budget includes a reorganization that will centralize the homicide and burglary units.

Overtime Control. Overtime has been a chronic source of over expenditures, especially in the public safety and transit departments. The City is developing procedures to properly account for the various uses of overtime and to establish a pre-approval process for employees seeking overtime. The Police Department has implemented several reforms to reduce overtime spending, including a traffic arraignment court and pre-trial interview program.

Adjustments to Approved 2003 Budget (Appropriations). In October of 2002, City Council was sent a resolution that presented the shortfall in revenues as well as freezing in hiring. This along with operating reductions will reduce expenditures in the general fund by approximately \$4.3 million. In November 2002 an additional budget reduction resolution was sent to City Council with department budget cuts, use of fund balances, activation of reserved

appropriations and a revenue re-forecast that improved the gap between general fund resources and expenditures by \$3.6 million. The City Council passed both of these resolutions, leaving a \$740,000 imbalance, with appropriations exceeding revenues. A mid-year cleanup resolution is anticipated for introduction to City Council to address all issues of expenditures exceeding the constrained revenue, including any anticipated over-expenditures, while preserving the 5% operating reserve.

*General Fund Balances*

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 1998-2001 and the approved budget amounts for Fiscal Year 2001 and Fiscal Year 2002 (as reflected in the Approved FY2001 Budget and the Approved FY2002 Budget, respectively).

**General Fund Revenues, Expenditures & Fund Balances  
Fiscal Years 1999-2002**

REVENUES	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Approved Budget 2002	Approved Budget 2003	Compound Annual Chg 98-03
Taxes:							
Property Tax	\$ 13,530	\$ 14,267	\$ 15,429	\$ 15,880	\$ 15,135	\$ 16,350	4.8%
Gross Receipts Tax	81,027	84,166	88,353	89,068	91,636	92,783	3.4%
Other Taxes	14,161	13,581	15,626	15,369	15,782	17,073	4.8%
Payment in lieu of taxes	4,890	4,842	5,117	5,450	5,476	5,806	4.4%
<b>TOTAL TAXES</b>	<b>\$113,608</b>	<b>\$116,855</b>	<b>\$124,525</b>	<b>\$125,766</b>	<b>\$128,029</b>	<b>\$132,012</b>	3.8%
Licenses & Permits	8,136	8,011	8,723	8,643	8,344	10,189	5.8%
Intergovernmental Revenue:							
State Grants	73	270	20	22	21	70	-1.0%
State Shared Revenue:							
Gross Receipts Tax	\$125,538	\$130,282	\$135,831	\$136,655	\$142,847	\$144,604	3.6%
Other State Shared	9,522	4,739	4,114	4,672	4,361	4,738	-16.0%
County	250	210	220	169	500	700	29.4%
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<b>\$135,382</b>	<b>\$135,501</b>	<b>\$140,185</b>	<b>\$141,519</b>	<b>\$147,729</b>	<b>\$ 150,112</b>	2.6%
Charges for Service	35,758	35,539	36,719	36,638	39,833	42,313	4.3%
Miscellaneous	2,960	2,710	3,748	1,580	2,951	3,003	0.4%
Other Transfers	1,398	1,468	3,663	3,436	1,575	1,603	3.5%
<b>TOTAL REVENUES</b>	<b>\$297,243</b>	<b>\$300,084</b>	<b>\$317,563</b>	<b>\$317,581</b>	<b>\$328,461</b>	<b>\$339,232</b>	3.4%
Beginning Fund Balance	17,513	19,262	20,174	15,698	15,698	18,024	0.7%
<b>TOTAL RESOURCES</b>	<b>\$314,756</b>	<b>\$319,346</b>	<b>\$337,737</b>	<b>\$333,279</b>	<b>\$344,159</b>	<b>\$357,256</b>	3.2%
<b>EXPENDITURES</b>							
General government	\$ 42,081	\$ 43,979	\$ 44,444	\$ 43,375	\$ 44,961	\$ 45,445	1.9%
Public Safety	111,039	116,909	122,153	127,469	123,575	133,551	4.7%
Cultural and recreation	47,466	46,791	50,408	49,152	50,995	51,497	2.1%
Public works	14,842	14,425	9,223	8,571	9,330	8,980	-11.8%
Highways and streets	13,947	9,520	11,872	12,898	12,010	13,513	-0.8%
Health	5,796	5,774	6,134	6,288	6,205	6,588	3.3%
Human services	18,523	22,104	29,264	26,795	29,605	28,073	11.0%
Other transfers out	\$ 44,147	\$ 41,321	\$ 47,284	\$ 46,616	\$ 47,835	\$ 48,840	2.6%
<b>TOTAL EXPENDITURES</b>	<b>\$297,841</b>	<b>\$300,823</b>	<b>\$320,782</b>	<b>\$321,164</b>	<b>\$324,517</b>	<b>\$336,488</b>	2.1%
Adjustments to Fund Balance <sup>(1)(2)(3)</sup>	2,347	1,651	(1,257)	\$ 5,961	(1,200)	(500)	
<b>ENDING FUND BALANCE</b>	<b>\$ 19,262</b>	<b>\$ 20,174</b>	<b>\$ 15,698</b>	<b>\$ 18,075</b>	<b>\$ 18,442</b>	<b>\$ 20,268</b>	
Recurring revenues	296,524	297,584	314,044	314,330	327,554	337,432	2.9%
Recurring expenditures	296,565	294,892	319,546	317,399	323,055	335,488	2.8%
Ending fund balance as Percent of recurring revenues	6.50%	6.78%	5.00%	5.75%	5.63%	6.01%	

- (1) Adjustments reflect increases in reserves for encumbrances and designation for future appropriations.
- (2) The Fiscal Year 2002 adjustment includes a \$1.2 million reserve for the Corrections Department.
- (3) Fund balance for Fiscal Year 2000 changed due to an accounting change from modified to full accrual for franchise fees.

## Revenues

### *Municipally Determined Revenues*

The City's primary revenue sources other than intergovernmental revenues include, in order of magnitude, the municipal (local option) gross receipts tax, the real property tax and charges for services.

Local Option Gross Receipts Taxes. The City has authority under the Municipal Gross Receipts Tax Act (N.M. Stat. Ann. 1978, Section 7-19-1, *et seq.*) to impose up to 1.25% municipal gross receipts tax in increments of one-eighth of one percent and one-quarter of one percent on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax currently imposed by the City is 1.00%. One quarter of one percent (0.25%) of the City's municipal gross receipts tax is dedicated to specific "basic services" programs and the proceeds are deposited in the General Fund; the remaining 0.50% is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for transportation purposes including street maintenance, roadway improvements, an increase of the level of service provided by the public transit system, and construction of a bikeway system.

The City has imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum, but has not exercised this authority. The State Legislature in January 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date and a positive referendum will be required to impose such a tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax but thus far has not used this authority. The State Legislature in February 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005 under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. Of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 1.00% represents the municipal gross receipts tax and 0.0625% represents the municipal infrastructure gross receipts tax.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. However, only 2.014 mills imposed on residential property and 2.544 mills imposed on commercial property is used by the City for operations at the present time and is subject to yield control. See "Property Taxes" under this caption.

Charges for Services. Many services provided by the City's general fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are charged include the following: engineering services, patching and paving, filings of plats and

subdivisions, photocopying, sales of maps and publications, swimming pools, meals and other activities at senior centers, animal control and zoo admissions. The City also has a cost allocation plan which is used as a basis for assessing indirect overhead charges on non-general fund agencies and on capital expenditures.

### *Intergovernmental Revenues*

The principal source of intergovernmental revenues to the City's general fund is the distribution made by the State to the City from the State Gross Receipts Tax. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the gross receipts collected in that municipality. The reduction in the distribution took effect August 1, 1992. (See the discussion under the caption "Gross Receipts Taxes.") In addition to the 1.225% gross receipts tax distribution, State-shared receipts include distributions of gasoline and cigarette taxes and of motor vehicle fees.

## **Property Taxes**

### *Generally*

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Commencing in Fiscal Year 1987, pursuant to N.M. Stat. Ann. 1978, Section 7-37-7, the maximum levy for City operations was increased from 2.225 to 7.650 mills. Of the 7.650 mills authorized, only 2.014 mills imposed on residential property and 2.544 mills imposed on commercial property is used by the City for operations (referred to as the "operational levy") at the present time and subject to yield control. The yield control provisions of N.M. Stat. Ann. 1978, Section 7-37-7.1 require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment to prevent revenues on locally assessed residential and non-residential properties from increasing by no more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7, the rate must be at a level that will produce in the first year of imposition revenue no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the tax year in which the increased rate pursuant to Section 7-37-7 was authorized by the taxing district. The yield control provisions do not apply to the general obligation debt service levy.

An amendment to the State Constitution was passed by voters in November 1998. This amendment allowed the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. New Mexico House Bill 366, signed into law on February 16, 2000, limits increases in the value of residential property for taxation purposes beginning with the tax year 2001. The bill provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1 % of the valuation two years prior to the tax year in which the property is being valued. This does not

apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the tax year for which the value of the property is being determined. For Tax Year 2001 (Fiscal Year 2002) the City is below the 85% ratio of assessment to market value, therefore the limitation does not apply and property was reassessed for Tax Year 2002. After reassessment for Tax Year 2002, the City exceeded the 85% ratio of assessment to market value and the limitation on new valuation increases will apply to future valuations. In addition, New Mexico House Bill 82, signed into law on March 6, 2000, freezes the property tax valuation for single family dwellings owned and occupied by persons 65 or older and whose taxable gross income does not exceed \$18,000. The valuation is frozen at the level of the 2001 tax year if the person is already 65, or frozen in the year the person has his or her 65th birthday if that is after 2001.

*Rates*

The rates for City property taxes in effect for tax year 2002 (Fiscal Year 2003) are 10.990 mills for residential and 11.520 mills for commercial property. These rates are down from 21.327 mills on both residential and commercial property in tax year 1985 (Fiscal Year 1986) due to the reassessments of all property within the County. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for tax year 2002 (Fiscal Year 2003) is 8.976 mills and the operational levy is 2.014 mills on residential property and 2.544 mills on commercial property.

**City of Albuquerque Property Taxes  
Fiscal Year 2003 Taxing Authority and Levy Imposed**

<b><u>Purpose of Property Tax</u></b>	<b><u>Total Taxing Authority</u></b>	<b><u>Levy Imposed</u></b>	<b><u>Unused Authority</u></b>
Operations:	7.650 mills		
Residential		2.014 mills	5.636 mills
Commercial		2.544 mills	5.106 mills
Debt Service <sup>(1)</sup> :	12 mills <sup>(2)</sup>		
Residential		8.976 mills	3.024 mills
Commercial		8.976 mills	3.024 mills

(1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.

(2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of debt from such election.

Source: City of Albuquerque, Office of City Treasurer.

Prior to 1986 it was the policy of the City for more than ten years to maintain a stable tax rate totaling approximately 20 mills for all general obligation bond debt service. Capacity to issue bonds in future years was calculated by using a tax production at 20 mills and assumed that new issues would have approximately equal annual principal payments for a ten-year retirement. Other than utilities and other centrally assessed properties, locally assessed residential and non-residential properties were valued at 1975 market values. State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in



1990, 1991, 1993, 1995, 1997, 1999 and 2001, each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute. The reassessments have required a change in the 20 mill tax policy. The general obligation debt service tax rate was reduced to 12 mills for tax year 1986 (Fiscal Year 1987) and would have been just over 10 mills for tax year 1988 (Fiscal Year 1989) except for surplus fund balances that made possible a one-time reduction in the debt service levy. (An offsetting increase in the operating levy enabled a replenishment of the General Fund operating reserve.) The debt service levy for Fiscal Years 1991 and 1992 was 9.786 mills. For Fiscal Year 1993 only, the debt service levy was reduced to 9.277. A 9.581 mill debt service was in place for Fiscal Year 1994, but the levy was increased to 9.786 mills for Fiscal Year 1995. The close to 17% increase in valuation due to the 1995 reassessment exceeded planning assumptions and made possible a reduction in the debt service levy to 9.468 mills for Fiscal Year 1996. In Fiscal Year 1997, the debt service levy was decreased to 8.976 mills, the current levy.

#### *Limits Regarding General Obligation Indebtedness*

The aggregate amount of general obligation indebtedness of the City under the State Constitution is limited for general purposes to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting joint water and sewer general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation. The only special purpose district overlapping the City is the Albuquerque Metropolitan Arroyo Flood Control Authority (“AMAFCA”), which is limited by State statute as to the amount of bonded debt which can be issued. The current limit for AMAFCA is \$40,000,000, of which \$19,925,000 is outstanding, with \$16,954,203 payable from taxable property within the City.

#### *Tax Administration*

The County is charged with the responsibility of administering the assessment and collection of property taxes for the City. Legislation passed in 1988 allows the County to collect a 0.75% assessment fee on all current collections. The State assesses corporate property such as utilities, pipelines and railroads which cross county lines.

Computer upgrades at the County have resulted in a shortfall of property tax revenues distributed to the City, which the County has addressed and continues to address as described herein. In order to address certain Year 2000 compliance issues, the County installed a new computer system facilitating, among other matters, the assessment of taxable property and the collection and distribution of property taxes. This new computer system went into operation November 1, 1999. The County has advised the City that since the implementation of such new system, while the County had no interruption or difficulties in assessing property or collecting property tax revenues in connection with the new computer system, the County did have difficulty determining the proper distribution of tax revenues to be distributed to the City and other taxing authorities. The County engaged software consultants in order to diagnose and repair the computer software causing this problem. The County has stated that much progress has been made toward resolution of the software problems but that several details still must be

resolved in the financial components and other contractual modules to be delivered to the County.

As a result of the computer software problem, since November 1, 1999, the County has continued to make monthly distributions to the City on schedule but based on the level of distribution for the prior year. (For example, the November 2001 distribution was equal to the distribution in November 2000.) As a result, any increase in taxable value that should have been reflected in taxes collected after November 1, 2001 (including increases due to the 2001 reassessment) was not included in the monthly distributions to the City (except in the corrected distributions made for November 1999 through June 2002, as described below). The County has engaged an independent consultant to review property tax distributions and determine the amount of any shortfall, which the County has agreed to pay immediately, with interest, upon such determination. Based on such calculations, the County has to date paid the shortfall, plus interest, for distributions due in November 1999 through June 2002. The County has stated that, by March 2003, it will have made a determination of and paid any shortfalls owing to the City through such date and it will begin making distributions at the proper levels, meaning distributions based on the actual collections of the current year; however, the City makes no representations and no assurances are given that the County will actually be able to make distributions at the proper levels at such time.

Assessments are made as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The taxes due November 10 become delinquent December 11, while the April 10 payment becomes delinquent May 11.

**City of Albuquerque  
Net Taxable Property Values**

<u>Year<sup>(1)</sup></u>	<u>Real Property</u>	<u>Corporate Property</u>	<u>Personal Property</u>	<u>Net Taxable Valuation</u>
1994	\$3,789,717,391	\$239,398,768	\$219,275,260	\$4,248,391,419
1995	3,849,868,672	248,331,388	214,009,607	4,312,209,667
1996	4,606,364,061	256,310,880	214,646,353	5,077,321,294
1997	4,651,461,720	269,111,763	264,119,812	5,184,693,295
1998	4,918,412,659	241,257,015	309,966,061	5,469,635,735
1999	5,047,988,793	263,165,055	345,747,000	5,656,900,848
2000	6,234,946,669	281,059,652	340,275,027	6,856,281,348
2001	6,185,937,198	310,904,986	403,859,568	6,900,700,986
2002	6,657,462,354	347,858,674	413,809,882	7,419,129,910
2003	6,880,088,229	361,189,032	378,149,519	7,619,420,780

(1) As of October.  
Source: Bernalillo County Treasurer's Office.

## Top 15 Taxpayers for Tax Year 2002 (Fiscal Year 2002)<sup>(1)(2)</sup>

<u>Name of Taxpayer</u>	<u>2002 Assessed Taxable Value<sup>(3)</sup></u>	<u>Tax Amount</u>	<u>Percentage of Total City Assessed Valuation<sup>(4)</sup></u>
Qwest (U S West)	\$ 87,032,391	\$ 3,382,660	1.1%
PNM Electric	80,837,709	3,611,479	1.1%
PNM Gas Services	26,116,616	968,609	0.3%
Southwest Airlines	21,951,930	933,506	0.3%
Simon Property Group Ltd (Cottonwood Mall)	20,997,900	892,936	0.3%
Heitman Properties of NM (part of Coronado Shopping Mall)	19,111,489	812,716	0.3%
Voicestream PCS II Corporation	18,793,768	799,205	0.2%
Crescent Real Estate (Hyatt Hotel)	15,782,623	769,955	0.2%
Verizon Wireless (VAW) LLC	16,160,522	687,226	0.2%
Alltell Communications, Inc.	14,481,278	615,816	0.2%
Winrock Property (Winrock Mall)	11,743,269	499,383	0.2%
AT&T Communications	9,921,516	484,021	0.1%
Cricket Communications	8,399,511	357,189	0.1%
HUB Albuquerque LLC	7,232,610	352,843	0.1%
CHC Ptns I LLC	<u>4,894,444</u>	<u>238,775</u>	<u>0.1%</u>
	<u>\$363,457,576</u>	<u>\$15,406,320</u>	<u>4.8%</u>

(1) As of November 1, 2002.

(2) Major taxpayers are those largest taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.

(3) The aggregate net taxable value of the top 15 taxpayers for tax year 2002 represents only 4.8% of the total net taxable value of the City for 2002. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."

(4) The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

**City of Albuquerque  
History of Property (Ad Valorem) Tax Levy and Collection<sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Total Current Tax Levy<sup>(2)</sup></u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>City Debt Service Collections</u>	<u>Percent of Total City Levy</u>
1992	\$47,343,647	\$44,809,462	94.65%	\$1,930,773	\$46,740,235	98.73%	\$ 40,124,198	84.8%
1993	47,522,109	45,330,637	95.62	2,324,243	47,654,880	100.51	39,444,170	83.0
1994	49,061,241	46,246,898	94.26	1,722,885	47,969,783	97.78	40,385,850	82.3
1995	50,634,041	47,792,810	94.39	4,486,481	52,279,291	103.25	42,235,640	83.4
1996	56,500,991	55,170,428	97.65	2,560,984	57,731,412	102.18	46,812,632	82.9
1997	58,414,008	55,266,156	94.61	2,591,732	57,857,888	99.05	45,646,455 <sup>(3)</sup>	78.1
1998	61,648,597	57,085,189	92.60	2,747,266	59,832,454	97.05	47,993,016	77.8
1999	64,063,064	59,698,737	93.19	4,384,879	64,083,616	100.03	49,873,027	77.8
2000	73,887,459	68,826,177	93.15	1,164,751	69,990,928	94.72	58,518,340	83.6
2001	76,929,102	72,563,755	94.33	4,365,348	76,929,102	100.00	63,496,146	82.6

(1) Taxes are due as follows: First half - November 10, second half - April 10. The taxes are collected by the County Treasurer and remitted to the City monthly. Properties in which taxes are delinquent (11th days of December and May) are transferred to the State, which conducts a tax sale if taxes remain unpaid. The proceeds of the tax sale are remitted to the political subdivisions in the rates of the current tax levy.

(2) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.

(3) Since debt service mill levy decreased from 9.468 mills to 8.976 mills in Fiscal Year 1997, City debt service collections decreased slightly.

Sources: Bernalillo County Treasurer's Office; City of Albuquerque Comprehensive Annual Financial Reports.

**City of Albuquerque  
Property Tax Rates  
Weighted Average Residential and Non-Residential  
Per \$1,000 Assessed Valuation  
All Overlapping Governmental**

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Bernalillo City</u>	<u>Bernalillo County</u>	<u>State of New Mexico</u>	<u>Schools</u>	<u>Technical Vocational Education</u>	<u>Flood Control Authority</u>	<u>Hospital</u>	<u>Conservancy District</u>
1993	44.082	11.584	8.422	1.595	9.062	3.000	.989	4.800	4.630
1994	46.171	11.760	9.140	1.212	10.230	3.000	1.039	4.800	4.990
1995	43.036	11.236	8.618	1.276	8.851	2.702	1.000	4.151	5.202
1996	43.814	11.257	8.279	1.556	9.020	2.783	1.006	4.497	5.416
1997	48.132	11.362	9.070	1.347	11.888	2.935	1.050	4.565	5.915
1998	46.752	11.357	9.066	1.438	11.013	2.945	1.050	4.103	5.780
1999	42.498	11.080	8.270	1.482	8.505	2.578	.939	4.016	5.629
2000	43.700	11.166	8.558	1.529	8.527	3.179	.962	4.184	5.596
2001	45.571	11.161	8.635	1.765	8.503	1.628	.943	6.500	5.436
2002	44.696	11.153	8.532	1.123	7.883	3.174	.937	6.500	5.399

Source: Bernalillo County Treasurer's Office.

## **Gross Receipts Taxes**

### *State Gross Receipts Tax*

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-82, N.M. Stat. Ann.), as amended, authorizes the State to impose a gross receipts tax (the “State Gross Receipts Tax”) which is levied by the State for the privilege of doing business in the State and is collected by the New Mexico Taxation and Revenue Department (the “Department”). The State Gross Receipts Tax is presently levied at five percent (5.00%) of taxable gross receipts. However, within any municipality imposing a municipal gross receipts tax of at least one-half of one percent (0.50%), the taxpayer receives a maximum of one-half of one percent (0.50%) credit against the State Gross Receipts Tax. Currently, all New Mexico municipalities, including the City, levy such a municipal gross receipts tax. Therefore, the State actually collects a four and one-half percent (4.50%) tax within municipalities, including the City. Of the 4.50 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.35 cents has, prior to August 1992, been remitted back to the municipality by the State monthly, based on the prior month’s filings. See “Manner of Collection and Distribution” under this caption. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the taxable gross receipts collected in that municipality. The reduction in the distribution was effective August 1, 1992. Thus, of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 4.50% represents the State Gross Receipts Tax, from which the City receives a 1.225% distribution. The principal source of intergovernmental revenues to the City’s General Fund is the distribution made by the State to the City of the State Gross Receipts Tax.

Taxed Activities. For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain services performed outside the State the product of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the State Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any type of time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes food sales and services, including legal and medical services. In Fiscal Year 2002, retail trade accounted for 39.7% of total taxable gross receipts. The other major generator of gross receipts tax revenues was the services sector, which accounted for 32.3% of the City’s taxable gross receipts in Fiscal Year 2002, up from 31.9% in Fiscal Year 1993. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see “Historical Taxable Gross Receipts” under this caption.

Exemptions. Some activities and industries are exempt from the State Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the

State, with no local distribution pursuant to the Governmental Gross Receipts Tax Act passed by the 1991 Legislature), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of gas, natural oil or mineral interests. Various deductions are allowed, including, but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, and certain receipts from interstate commerce transactions. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State are subject to the State Gross Receipts Tax. The State Legislature in January 1998, however, passed into law an exemption to the gross receipts tax for prescription drugs and certain federal government paid medical expenses. The impact of this exemption on gross receipts tax revenues is estimated at approximately \$4.0 million per year; however, no assurance is given that the actual impact of this exemption on gross receipts tax revenues will not, in the future, be greater than the current estimate. See “FINANCIAL INFORMATION - The General Fund - General Fund Revenues.”

Administration of the Tax. The Department is responsible for administering the Gross Receipts and Compensating Tax Act and for collecting the State tax and all local option gross receipts taxes imposed by New Mexico counties and municipalities. The Department makes monthly distributions to counties and municipalities, as applicable, of State shared receipts and of receipts from local option gross receipts taxes.

Historical Revenues. The revenues received by the City from the State as its distribution of the State Gross Receipts Tax revenues for the past five Fiscal Years are as follows:

**Historical State Gross Receipts Tax Revenues  
(1.225% Received by the City from State Gross Receipts Tax)**

<u>Fiscal Year</u>	<u>Revenues</u>
1998	\$121,060,570
1999	124,241,610
2000	130,281,585
2001	135,830,834
2002	136,655,396

Source: City of Albuquerque, Department of Finance and Administrative Services.

*Municipal and Other Gross Receipts Taxes*

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Gross Receipts Tax Act (N.M. Stat. Ann. 1978, Section 7-19-1, et seq.) authorizes the City under State law to impose up to 1.25% municipal gross receipts tax in increments of one-eighth of one percent and one-quarter of one percent on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax currently imposed by the City is 1.00%. One quarter of one percent (0.25%) of the City’s municipal gross receipts tax is dedicated to specific “basic services” programs and the proceeds are deposited in the General Fund. One half of one

percent (.50%) is used for general purposes; the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts (referred to on the tables below as “Municipal GRT - Transportation”) is imposed to provide for street maintenance, roadway improvements, an increase in the level of service provided by the public transit system, and construction of a bikeway system.

The City has imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes (referred to on the tables below as “Municipal Infrastructure GRT - General Purposes”). The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax without a referendum, but has not exercised this authority. In addition, the State Legislature in January 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure tax (referred to on the tables below as “Municipal Infrastructure GRT - Econ. Dev. & Transit”) for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date, and a positive referendum will be required to impose such tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax (referred to on the tables below as “Municipal Environmental GRT”) but thus far has not used this authority. The State Legislature in February 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005 under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. Of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 1.00% represents the municipal gross receipts tax and 0.0625% represents the municipal infrastructure tax.

Historical Revenues. The revenues received by the City as a result of its imposition of municipal gross receipts tax and municipal infrastructure gross receipts tax for the past five Fiscal Years are as follows:

**Historical Municipal Gross Receipts Tax Revenues  
(.50% Received by the City from State Gross Receipts Tax)**

<u>Fiscal Year</u>	<u>Revenues</u>
1998	\$48,769,844
1999	50,161,975
2000	52,668,581
2001	54,609,793
2002	55,034,047

Source: City of Albuquerque, Department of Finance and Administrative Services.

*Taxing Authority and Payments*

The following table outlines the gross receipts taxes to be paid to the State, the City and Bernalillo County by businesses in the City:

**Selected Fiscal Year 2002 Gross Receipts Tax (GRT) Paid  
in the City of Albuquerque**

<u>Type of Tax &amp; Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT <sup>(1)</sup>	1.0000%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.2500
State GRT	5.0000
Credit on State GRT <sup>(2)</sup>	<u>(0.5000)</u>
<b>Total</b>	<u><b>5.8125%</b></u>

(1) Municipal GRT is imposed in increments of 0.25%, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.

(2) Taxpayers receive a maximum of 0.50% credit against State Gross Receipts Tax.

Source: City of Albuquerque, Office of City Treasurer.



The following table describes the City's taxing authority and the percentage it currently imposes to generate gross receipts tax revenues to the City:

**City of Albuquerque**  
**Selected Fiscal Year 2003 Taxing Authority and Gross Receipts Tax (GRT) Income**

<u>Type of Tax &amp; Purpose</u>	<u>Total Taxing Authority</u>	<u>Percentage Imposed</u>	<u>Unused Authority</u>
Municipal GRT	1.2500% <sup>(1)</sup>		
Basic Services		0.250%	
General Purposes <sup>(2)</sup>		0.500% <sup>(2)</sup>	
Transportation		<u>0.250%<sup>(3)</sup></u>	
<i>Total Municipal GRT</i>		1.000%	0.2500%
Municipal Infrastructure GRT <sup>(3)</sup>			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT <sup>(4)</sup>	0.2500%	<u>0.0000%</u>	<u>0.2500%</u>
<i>Total Other GRT</i>		0.0625%	0.7500%
<b>Total Impositions by the City</b>		<b><u>1.0625%</u></b>	<b><u>0.7500%</u></b>
State Shared GRT <sup>(5) (6)</sup>		<u>1.2250%</u>	--
<b>Total Distribution to the City</b>		<b><u>2.2875%</u></b>	<b><u>0.7500%</u></b>

(1) Municipal GRT is imposed in increments of 0.25%, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.

(2) Represents the municipal gross receipts tax pledged by the City to secure certain outstanding bonds.

(3) A positive referendum is required to impose any amount of the municipal infrastructure gross receipts tax: (i) in excess of 0.1250%; or (ii) for the purpose of economic development. Maybe imposed in increments of 0.0625%. Other local option GRT is subject to negative referendum.

(4) A positive referendum is required to impose any amount of the municipal capital outlay gross receipts tax and it may be imposed only after all other local option GRT have been imposed.

(5) State imposed levy in lieu of earlier local sales tax and remitted to local jurisdictions.

(6) Revenues from this tax are pledged as the Pledged Gross Receipts Tax Revenues.

Source: City of Albuquerque, Office of City Treasurer.

*Historical Taxable Gross Receipts*

The table which follows provides information about the City's taxable gross receipts by sector since 1992.

**City of Albuquerque  
Taxable Gross Receipts By Sector  
and Total Gross Receipts<sup>(1)</sup>  
Fiscal Years 1993 - 2002  
(000,000s omitted)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	% of Total Shares by Sector	
											1993	2002
Construction	\$ 532.5	\$ 668.5	\$ 837.4	\$ 1,007.7	\$ 1,068.1	\$ 1,000.8	\$ 1,001.4	\$ 1,098.7	\$ 1,307.6	\$ 1,254.7	7.4%	11.4%
Manufacturing	245.9	256.7	272.9	278.3	281.0	320.1	324.2	319.4	308.7	283.9	3.4	2.6
Trans, Comm, & Pub Util	529.8	560.4	563.6	562.3	600.9	616.1	615.1	611.1	650.0	573.2	7.4	5.2
Wholesale Trade	453.0	468.6	498.0	513.2	511.1	554.1	535.6	604.8	608.0	631.8	6.3	5.7
Retail Trade	2,892.7	3,157.2	3,417.2	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,368.8	40.4	39.7
Fin, Insur, & Real Estate	210.4	243.1	228.8	251.6	258.1	279.0	286.3	292.2	292.7	271.0	2.9	2.5
Services	2,282.8	2,517.3	2,688.8	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,562.6	31.9	32.3
Other	0.7	16.5	16.7	11.5	19.8	15.0	21.7	22.4	22.4	19.1	0.0	.2
Interstate Communications <sup>(2)</sup>	18.4	62.3	64.1	64.2	62.2	59.3	56.2	62.4	53.0	50.4	0.3	.5
Total Taxable Gross Receipts	\$ 7,166.1	\$ 7,950.6	\$ 8,588.2	\$ 9,225.7	\$ 9,562.0	\$ 9,830.4	\$10,079.7	\$10,548.8	\$11,016.1	\$11,015.6	100%	100%
Total Gross Receipts Reported	\$12,632.0	\$13,881.0	\$15,021.0	\$15,784.0	\$16,414.0	\$17,096.8	\$17,317.9	\$18,294.2	\$20,836.9	\$20,708.3	--	--

(1) Albuquerque taxable gross receipts are according to distribution month, which lags reporting month by one month and activity month by two months. While taxable gross receipts is the reported tax base, the actual tax distributions may differ from those calculated by applying the tax and distribution rates to taxable gross receipts for any of a number of reasons (e.g., the filing taxpayer did not include a check or the check was returned; an adjustment was made for a previous over - or under-distribution to the City). Actual distributions average within 1-2% of computed tax due based on reported taxable gross receipts.

(2) Taxable gross receipts from interstate telecommunications are subject to a special 4.25% tax from which the City receives a distribution.  
Source: New Mexico Taxation and Revenue Department.

### *Manner of Collection and Distribution*

Businesses must make their payments of gross receipts taxes on or before the twenty-fifth day of each month for taxable events in the prior month. Collection of the State gross receipts tax and municipal gross receipts taxes is administered by the Department, pursuant to N.M. Stat. Ann. Section 7-1-6. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the above-described disbursements to the municipalities and counties in the State and less required distributions to pay debt service on bonds issued for State office buildings.

### *Remedies for Delinquent Taxes*

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment thereof (or protest the assessment) before thirty (30) days after the date of assessment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than eighteen (18) months. Interest is due on any delinquent taxes from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within ten (10) days after demand is made, no interest accrues.

The Department may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent State gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer which lien may be foreclosed as provided by State statutes.

## **Gasoline Tax**

### *Generally*

The tax on gasoline was reduced, as of July 1, 1995, to a rate of \$0.17 per gallon (from the previous rate of \$0.20) pursuant to Sections 7-13-1 through 7-13-18 N.M. Stat. Ann., as amended (“Gasoline Tax Act”). The Gasoline Tax Act further requires reduction of the gasoline tax back to \$0.16 per gallon on the earlier of July 1, 2003 or the July 1 or January 1 immediately following any date on which the obligations for payment of debt service on certain State highway obligations have been defeased.

Gasoline is defined in the Gasoline Tax Act as any flammable liquid used primarily as fuel for propulsion of motor vehicles, motorboats or aircraft but does not include diesel engine fuel, kerosene, liquefied petroleum gas, natural gas and products specially prepared and sold for use in the turbo-prop or jet-type engines. The gasoline tax is imposed on registered distributors of gasoline in the State at the time the gasoline is received by a registered distributor. Gasoline is generally deemed to be “received” when delivered to a registered distributor for resale to a

wholesaler or retailer in the State. The registered distributor is responsible for filing gasoline tax returns with and paying the gasoline tax due to the State Taxation and Revenue Department (the “Department”) on or before the twenty-fifth day of the month following the month in which the gasoline is received in the State. Distributors are required to include the gasoline tax in the resale price of gasoline sold to a purchaser. Delinquent taxpayers may be required to file a surety bond in favor of the State to ensure prompt filing of reports and the payment of all taxes levied by the Gasoline Tax Act. This Act was amended by the Legislature’s enactment of House Bill 856 which allows “registered tribal distributors” to deduct the tax from gasoline sold at the wholesale level. Each registered tribe is limited to total annual sales of 30 million gallons.

The gasoline tax is not imposed on gasoline received in the State for export from the State by a distributor or on gasoline sold to and used by any United States agency or instrumentality. Wholesalers and distributors of gasoline may sell specially dyed gasoline to persons not using the gasoline in motor boats or in vehicles licensed to operate on the highways in the State. The persons purchasing specially dyed gasoline are required to hold a gasoline tax refund permit issued by the Department and must make individual purchases of the specially dyed gasoline in quantities of 50 gallons or more (individual aviation fuel purchases may be aggregated). Certain limited deductions from the gasoline tax also apply to ethanol blended gasoline using ethanol made with at least 50% agricultural feedstocks produced in the State.

In the 1990 session, the State Legislature adopted legislation which increased the amount of the distribution of gasoline tax receipts from the State (“State Shared Gasoline Tax Receipts”) to 11.25% from 9.28%. In 1993, the distribution of gasoline tax receipts was decreased to 8.82%. This distribution was increased again on August 1, 1995 to 10.38%. The percentage of total gasoline tax receipts shared with municipalities has varied depending on the total State tax on gasoline then in effect. By changing the percentage of gasoline tax receipts distributed to municipalities, the State Legislature has attempted to maintain the flow of State Shared Gasoline Tax Receipts to municipalities. Despite the fluctuation in the amount of gasoline tax receipts distributed to municipalities, the net effect on the level of State Shared Gasoline Tax Receipts distributed to the City has been insignificant. See the table entitled “Historical State Gasoline Tax Receipts” under this caption.

In the 1999 legislative session, the State Legislature adopted legislation requiring, under Section 7-1-6-9(C) N.M. Stat. Ann., that gasoline taxes be paid into a separate road fund in the municipal treasury. This legislation has no impact on the amount of State Gasoline Tax Receipts distributed to the City. The City began depositing State Gasoline Tax Receipts received by it from the State into a separate fund in Fiscal Year 2000.

#### *Historical Receipts*

The following table sets forth the historical distributions of State Gasoline Tax Receipts for Fiscal Years 1993-2002.

**City of Albuquerque  
Historical State Gasoline Tax Receipts**

<u>Fiscal Year</u>	<u>State Gasoline Tax Receipts</u>
1993	\$3,944,954
1994	3,871,140
1995	4,258,909
1996	4,612,407
1997	4,516,251
1998	4,748,965
1999	4,514,428
2000	4,604,981
2001	4,661,581
2002	4,431,007

Sources: City of Albuquerque Comprehensive Annual Financial Reports for 1993 to 2002.

*Distribution of the Gasoline Tax*

The Department distributes gasoline taxes to municipalities and counties pursuant to statutory procedures. A portion of the gasoline tax is distributed pursuant to Section 7-1-6.9 N.M. Stat. Ann., as amended. The amount of the gasoline taxes distributed to municipalities is, since August 1995, equal to 10.38% of the net receipts attributable to gasoline taxes imposed pursuant to the Gasoline Tax Act. The City can make no prediction as to future actions of the State Legislature with respect to the amount of gasoline tax receipts to be distributed pursuant to Section 7-1-6.9 N.M. Stat. Ann. Net receipts are the amount paid to the Department in any month less any refunds. Ninety percent (90%) of the amount distributed by the Department is paid to treasurers of municipalities in the proportion that the taxable motor fuel sales in each of the municipalities bears to the aggregate taxable motor fuel sales in all municipalities in the State. The remaining 10% is distributed by the Department to counties in the State.

*Taxation and Revenue Department Gasoline Tax Collection Procedures*

The Department collects gasoline taxes in the State but does not engage in extensive monitoring and compliance activities. The Department reviews the payment of gasoline taxes for reasonableness and may conduct a farther investigation if the amount of taxes paid by a particular distributor are not deemed reasonable. The Department publishes monthly reports regarding gasoline tax collections and receipts.

*Variation in Local Distributions and Local Monitoring Procedures*

The amount of gasoline taxes distributed to individual municipalities is variable because the distributions are tied to the reported amounts of taxable motor fuel sales in each individual municipality relative to all municipalities. If the amount of reported sales in an individual municipality declines, the amount of distribution of gasoline taxes also declines. Additionally, if the amount of taxable motor fuel sales in certain municipalities increases, those municipalities

will receive a larger portion of the total amount of gasoline taxes to be distributed to all municipalities by the Department, resulting in a smaller portion to be distributed to municipalities with proportionally lower taxable motor fuel sales.

## **Lodgers' Tax**

### *Generally*

The lodgers' tax is levied pursuant to the Lodgers' Tax Act (Sections 3-38-13 through 3-38-24, N.M. Stat. Ann.) and is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate is 5% and is imposed on the gross taxable rent paid for lodging (but not including State Shared Gross Receipt Taxes or local sales taxes). The lodgers' tax is collected by the City on a monthly basis from the persons and firms furnishing such lodging.

The lodgers' tax revenues are pledged to repayment of the City's gross receipts/lodgers' tax bonds in an amount equal to 50% of the revenues produced by the City's imposition of the lodgers' tax, less administrative costs relating to the lodgers' tax to the extent required by the Lodgers' Tax Act. The remaining 50% of such lodgers' tax revenues is not pledged to repayment of the City's bonds. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the lodgers' tax) of more than 2% is required to use not less than 50% of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other facilities in the City and tourist facilities or attractions within the City. The City uses the remaining 50% of such lodgers' tax revenues to satisfy this requirement.

### *Historical Lodgers' Tax Revenues*

The gross taxable rent, the lodgers' tax and the lodgers' tax revenues collected by the City since Fiscal Year 1998 are as follows:

**City of Albuquerque  
Historical Lodgers' Tax Revenues**

<u>Fiscal Year</u>	<u>Gross Taxable Rent<sup>(1)</sup></u>	<u>Lodgers' Tax Rate<sup>(2)</sup></u>	<u>Lodgers' Tax Revenues</u>
1998	\$158,894,200	5%	\$7,944,710
1999	161,836,220	5%	8,091,811
2000	167,834,800	5%	8,394,740
2001	169,762,360	5%	8,488,118
2002	166,380,620	5%	8,319,031

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the state gross receipts tax or local sales taxes."

(2) Referred to in the Lodgers' Tax Act as the "occupancy tax." Prior to January 1, 1985, the lodgers' tax was 3%.

Source: City of Albuquerque, Department of Finance and Administrative Services.

The following table sets forth the confirmed future convention bookings at the Convention Center in the City by number of individuals and room nights as of November 5, 2002 for Fiscal Years 2003 through 2007. While the numbers of individuals and room nights are estimates based on prior convention history and therefore may be variable within a particular booking, cancellation of such confirmed future bookings is unlikely.

**City of Albuquerque  
Confirmed Convention Bookings<sup>(1)</sup>  
Fiscal Years 2003-2007**

<u>Fiscal Year</u>	<u>Delegates</u>	<u>Roomnights</u>
2003	60,886	77,414
2004	87,430	128,574
2005	32,415	37,205
2006	16,880	23,926
2007	13,800	25,633

(1) Represents national and international conventions only.

Source: Albuquerque Convention and Visitors Bureau.

**Charges for Services**

Many services provided by the City's general fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are charged include the following: engineering services, patching and paving, filings of plats and subdivisions, photocopying, sales of maps and publications, swimming pools, meals and other activities at senior centers, animal control and zoo admissions. The City also has a cost allocation plan which is used as a basis for assessing indirect overhead charges on non-general fund agencies and on capital expenditures.

## **Employee Contracts**

There were approximately 6,429 full-time employment positions funded by the City for Fiscal Year 2003, with approximately 5,593 City employees affected by union contracts as of January 1, 2003. There are seven bargaining units within the City. The City's union contracts and their expiration dates are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO) - June 10, 2003; Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO) - October 17, 2003; United Transportation Union (Local 1745) - February 8, 2003; Blue Collar Workers (A.F.S.C.M.E. Local 624, AFL-CIO) - May 30, 2003; Albuquerque Area Firefighters Union - February 2, 2004; Albuquerque Police Officers' Association - June 1, 2003; and Management Union - June 30, 2003.

## **Retirement Plan**

The employees of the City are members of the State Public Employees Retirement Association. Employees are credited for contribution amounts varying from 3.29% to 16.30% of their wages to the plan and the City contributes amounts which vary from 7.0% to 20.25%.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2002. A copy of the certification letter prepared by Gabriel, Roeder, Smith & Company, Actuaries and Consultants, is on file and is available from the State Public Employees Retirement Association, upon request.

## **Capital Improvements Program**

The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. However, certain capital improvements are financed with revenue bonds. The City's Capital Improvements Program consists of a ten-year program, with a general obligation bond election held every odd-numbered year to approve the two-year capital budget portion of the program.

The City adopted, in April 2001, a ten-year plan (Fiscal Years 2002-2011) for CIP projects to be financed with general obligation bonds which calls for biennial bond elections of approximately \$130 million each (before adjustments for inflation). The City is halfway through its two-year planning process for its 2003 general obligation bond election, and the updated plan is expected to be adopted in March or April 2003.

## **Financial Statements**

The financial statements of the City at June 30, 2002 and for the year then ended are included in Appendix A hereto and have been audited by Neff & Ricci LLP, independent certified public accountants, as set forth in their report thereon dated December 2, 2002. Such financial statements represent the most current audited financial information available for the City.



## ENTERPRISE OPERATIONS

### Albuquerque International Sunport

#### *Recent Events Affecting the Air Transportation Industry*

The terrorist attacks that occurred in the United States on September 11, 2001, caused substantial disruption to the airline industry. In response to the attacks, the Aviation and Transportation Security Act (49 U.S.C. ' 4010) was enacted into law on November 19, 2001, creating the Transportation Security Administration ("TSA"). The TSA took over from the airlines all contracts for security checkpoint operation at Albuquerque International Sunport (the "Airport") in February 2002. The security checkpoint was federalized on October 8, 2002, when all civilian contractors at the checkpoint were replaced with screeners employed by the TSA. Prior to the creation of the TSA, the Federal Aviation Administration (FAA) had implemented security measures, including, but not limited to, the elimination of curb-side luggage handling, prohibiting unticketed passengers beyond security checkpoints, requiring a thorough search and security check of passenger baggage, and restricting the parking of vehicles near terminals.

While some of those measures remain in effect at the Airport, the TSA now has initiated a number of new safety measures at U.S. airports, including, but not limited to:

--All individuals (including screeners) must pass FBI-fingerprint-based Criminal History Records Check (CHRC) prior to being granted unescorted access to the Air Operations Area, the Security Identification Display Area or other airport sterile areas.

--At the Airport, anyone issued an airport ID/Access badge must pass the CHRC.

--All baggage must be screened for explosives.

#### *Generally*

The City owns and operates the Airport and the Double Eagle II Airport, a general aviation airport opened in 1983 (the "Reliever Airport"). Certain data set forth under this caption as data of the "Airport" is comprised of data of the Albuquerque International Sunport and the Reliever Airport. However, generally the amounts attributable to the Reliever Airport are relatively insignificant. The Airport is the principal airport serving the Albuquerque metropolitan region and provides the only major air carrier service to the State. Owned by the City and operated by the City's Department of Aviation, the Airport is located in the southernmost part of the City, approximately five miles southeast of the downtown business area and about six miles from the City's center of population. The City is classified as a "medium hub<sup>1</sup>" by the Federal Aviation Administration (the "FAA"). According to Airports Council International-North America records, the Airport ranked as the 52nd largest passenger airport in

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<sup>1</sup> A medium hub is defined as a community that accounts for between 0.25% and 0.99% of the total enplaned revenue passengers in all services and all operations of U.S. certificated route air carriers within the 50 states, the District of Columbia and territorial possessions of the United States.

2001. The Airport serves primarily an “origin/destination” air traffic market: approximately 90% of the total number of enplaned passengers using the Airport begin or end their trips in the Albuquerque Area and other parts of the State. The Airport is also a connecting hub in a regional airline route system serving numerous smaller cities in the State. In addition, Southwest Airlines uses the Airport as a connecting point for its service between cities in Texas to the east and cities in Arizona, California and Nevada to the west. See “Airport Service Area” and “Historical Airline Traffic” under this caption.

The Airport has three principal runways for air carrier use: Runway 8-26 (reconstructed in 1997), the primary air carrier/military runway, is 13,775 feet long and 300 feet wide; Runway 3-21, reconstructed in 1995 as an air carrier runway, is 10,000 feet long and 150 feet wide; and Runway 17-35, a crosswind runway, is 10,000 feet long and 150 feet wide. An additional crosswind runway (Runway 12-30) is used by general aviation aircraft. In addition to the reconstruction of Runways 3-21 and 8-26, recent improvements to the airfield at the Airport include the expansion of the air cargo apron and reconstruction of the remaining portion of Taxiway A. In 1999 Runway 12-30 was reconstructed in concrete to extend and expand the runway to 6,000 feet in length and 150 feet in width.

The passenger facilities of the Airport include a terminal complex (referred to herein as the “Terminal Complex”) with 506,000 square feet of interior space that presently has 24 air carrier aircraft gates (as well as two regional/commuter gate areas serving eight commuter aircraft parking positions). Twenty-three (23) of the air carrier gates are situated in a linear east-west concourse, parallel to the Terminal Complex and connected to it via a terminal-concourse connector. The eastern portion of the concourse is referred to as Concourse A and the western portion is referred to as Concourse B. The remaining gate, currently not in use, is at the west end of the Terminal Complex, the frontal gate area of which is referred to as Concourse C, which could be used for international arrivals only. There are two commuter gates, identified as Gates D and E. The terminal area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure and a 480 space surface parking lot. On March 17, 2001, the Airport opened a new Consolidated Rental Car Facility located on approximately 76 acres of Airport property southwest of the Terminal Complex and comprised of a customer service building, ready/return parking area and service center facilities. The Consolidated Rental Car Facility is currently utilized by nine rental car companies - Avis, Budget, Dollar, Hertz, National, Advantage, Thrifty, Enterprise and Alamo.

The Airport is served by eight major and national airlines and four regional and commuter airlines. In addition, seven major all-cargo airlines (two of which provide services for two larger cargo carriers) provide service at the Airport. Southwest Airlines, American Airlines, and Delta Air Lines accounted for 52.3%, 9.7%, and 8.3%, respectively, of the enplaned passengers at the Airport in Fiscal Year 2002. United Airlines and American West Airlines each carried 6.6% of the enplaned passengers. See “Airlines Serving the Airport” under this caption.

During Fiscal Year 2002, there were approximately 251,784 aircraft operations (landings and takeoffs) at the Airport, up from 238,943 in Fiscal Year 2001. The following is a comparison of operations at the Airport for Fiscal Years 1998 through 2002.

**City of Albuquerque  
Historical Takeoffs & Landings**

Class	FY 98	FY 99	FY 98-99	FY 00	FY 99-00	FY 01	FY 00-01	FY 02	FY 01-02
			% Chg.		% Chg.		% Chg.		% Chg.
Air Carrier	83,658	79,682	(4.6)%	83,575	4.9%	81,757	(2.2)%	81,115	(0.8)%
Commuter	33,697	29,440	(12.6)	31,045	5.5	36,510	17.6	47,005	28.7
Gen'l Aviation	68,175	72,024	5.7	75,838	5.3	75,490	(0.5)	74,373	(1.2)
Military	<u>38,372</u>	<u>45,513</u>	<u>18.6</u>	<u>41,254</u>	<u>(9.4)</u>	<u>45,186</u>	<u>9.5</u>	<u>49,291</u>	<u>9.1</u>
Total	<u>223,902</u>	<u>226,659</u>	1.2	<u>231,712</u>	2.2	<u>238,943</u>	3.1	<u>251,784</u>	5.4

Source: City of Albuquerque, Department of Aviation.

The Airport is adjacent to Kirtland Air Force Base, an active U.S. Air Force (“USAF”) installation. The airfield land and facilities, a portion of which was previously owned by the City but deeded to the USAF in 1941, were deeded back to the City by the USAF in 1962. The USAF currently shares the use of the airfield with the City under a lease agreement. The deed contains a reverter clause which will be effective if the City does not continue to use the land as an airport and the U.S. Government has a right of re-entry if the City does not comply with the covenants and restrictions in the deed and the lease agreement. Under the terms of the lease agreement, the USAF pays the City an annual fee of \$50,000 per year. The agreement also requires that USAF provide aircraft rescue and fire fighting services at the Airport.

*Airport Administration*

**Mr. Dewey Cave** is the Director of Aviation. Mr. Cave was appointed to this position effective December 2001, after serving as Finance Director from 1998 to that date. As Finance Director, Mr. Cave was responsible for the Finance and Administration Division including finance, human resources, properties and information systems functions and reported to the Director of Aviation. Prior to serving as Finance Director, Mr. Cave was Deputy Director for Finance and Administration at the City’s Solid Waste Management Department; and Budget and Rate Analyst for the City’s Department of Finance and Administration.

**Mr. Dennis A. Parker, A.A.E.**, is the Director of Planning and Development, responsible for the long-term capital planning and project implementation for the Airport and reports to the Director. Mr. Parker was appointed to the position in 1986. Prior to his appointment, Mr. Parker was Assistant Aviation Director at the Airport; Manager of Maintenance Services at the Greensboro-High Point Airport Authority, North Carolina; Executive Director and Operations manager of the Titusville-Cocoa Airport Authority, Florida; and Airport Manager of the Chesterfield County Airport, Virginia.

**Mr. Wayne A. Hanzich** is the Director of Operations, responsible for the Operations Division, including Airfield Operations, Airport Communications Center, Airport Baggage, Airfield Maintenance and Double Eagle II Airport. Mr. Hanzich is also responsible for security at the Airport. Mr. Hanzich joined the Aviation Department in 1986 after retiring from the United States Air Force. Prior to being promoted to his current position, Mr. Hanzich was an

Airfield Operations Officer and the Airfield Maintenance Manager with the Aviation Department.

**Mr. Paul Valigura** moved to the Aviation Department in December 2002 as the Finance Director. Prior to this appointment, Mr. Valigura was an executive budget analyst in the Chief Administrative Officer's Department and the Financial Reporting Supervisor in the City's Accounting Division of the Department of Finance and Management.

*Airlines Serving the Airport*

The Airport is served by the following major, national airlines:

America West Airlines	Frontier Airlines
American Airlines	Northwest Airlines
Continental Airlines	Southwest Airlines
Delta Air Lines	United Airlines

All of the major and national airlines listed above have entered into the Scheduled Airline Operating Agreement and Terminal Complex Lease (collectively, the "Airline Agreements") and are referred to herein as "Signatory Airlines." Trans World Airlines was a Signatory Airline prior to its declaration of bankruptcy, which commenced in January 2001. UAL Corporation, the parent of United Airlines, filed for protection under Chapter 11 of the Bankruptcy laws on December 9, 2002. Collectively, the Signatory Airlines (including United Airlines) lease approximately 75% of the available exclusive and preferential use space in the Terminal Complex. See "Agreements with the Signatory Airlines" for a discussion of the obligations of the Signatory Airlines pursuant to the Airline Agreements.

In addition to these major and national airlines, Mesa Airlines provides flights throughout New Mexico, Texas and Colorado. Skywest Airlines, Rio Grande Air and Great Plains Airlines are the other three commuter airlines currently serving the Airport. In addition, seven all-cargo airlines (two of which provide services for two larger cargo carriers) provide service at the Airport. The three largest are ABX Air, Fed Ex, and United Parcel Service. All three of the all air-cargo operators have entered into a Schedule Cargo Airline Operating Agreement and Cargo Building Lease (an "All-Cargo Airline Agreement") with the City and are referred to herein as the "Signatory Cargo Airlines," as described in "Agreements with the Signatory Cargo Airlines."

*Airport Service Area*

The primary area served by the Airport (the "Albuquerque Area") is defined as the Albuquerque Metropolitan Statistical Area (Bernalillo, Sandoval and Valencia counties), the Santa Fe Metropolitan Statistical Area (Santa Fe and Los Alamos Counties) and Tarrant County.

The Airport also serves a secondary area consisting of the remainder of the State. The limits of a secondary area are generally defined by the range and quality of airline service at other air carrier airports. There are seven air carrier airports in the surrounding states of Arizona, Colorado, Texas and Utah that provide airline service and together define the limits of the secondary area, including Amarillo International Airport to the east, Denver International Airport

to the north, El Paso International Airport to the south, Lubbock International Airport to the southeast, Dallas/Ft. Worth International Airport to the southeast, Phoenix Sky Harbor International Airport to the west and Salt Lake City International Airport to the northwest. There are also 11 other airports in the State that provide scheduled commuter airline service.

### *Historical Airline Traffic*

According to data compiled by the U.S. Department of Transportation, the percentage of total U.S. enplaned passengers accounted for at the Airport was at 0.58% in 1993 and 0.49% in 2000 (the most recent year for which data is available), as shown on the following table.

The total number of enplaned passengers at the Airport increased at an average annual rate of 1.4% per year between Fiscal Years 1993 and 2002. Following decreases in 1998 and 1999, the total number of enplaned passengers at the Airport for Fiscal Year 2000 increased approximately 2.2%, then decreased slightly (-0.3%) in Fiscal Year 2001. In Fiscal Year 2002 (the year encompassing the September 11 attacks), the number of enplaned passengers declined by 1.9%. During Fiscal Year 2002, the Airport had 37,455 aircraft departures (for major and national passenger airlines) and average enplaned passengers per departure of 78.7 for those same airlines.

### **City of Albuquerque Historical Airline Traffic Activity Albuquerque International Sunport**

Fiscal Year	Enplaned Passengers			Aircraft Departures <sup>(2)</sup>		Enplaned Passengers per departure
	Number	Percent increase (decrease)	Percent of total U.S. enplaned Passengers <sup>(1)</sup>	Annual	Average Daily	
1993	2,721,999	9.1	0.58	34,012	93.2	76.3
1994	2,917,043	7.2	0.61	36,838	100.4	75.7
1995	3,116,527	6.8	0.56	38,524	106.1	77.5
1996	3,159,377	1.4	0.56	39,696	109.4	75.7
1997	3,253,395	3.0	0.59	40,061	119.4	74.7
1998	3,107,792	(4.5)	0.57	38,606	114.6 <sup>(3)(5)</sup>	74.3
1999	3,093,853	(0.4)	0.51	38,036	104.2 <sup>(5)</sup>	78.8
2000	3,160,245	2.2	0.49	38,224	104.7	78.4
2001	3,149,964	(0.3)	N/A <sup>(4)</sup>	37,247	102.0	81.6
2002	3,091,498	(1.9)	N/A <sup>(4)</sup>	37,455	102.6	78.7

(1) Based on corresponding calendar year data rather than fiscal year data. Source: U.S. Department of Transportation "Airport Activity Statistics of Certificated Route Air Carriers".

(2) Includes data for major and national passenger airlines only.

(3) In 1998, American Airlines and United Airlines reduced the number of flights serving the Airport per day, using larger planes.

(4) Data not available.

(5) The declines in aircraft departures in Fiscal Years 1998 and 1999 were partly due to the termination of service by USAir and Reno Airlines in Fiscal Year 1998.

Source: City of Albuquerque, Department of Aviation (except as noted).

The previous table presents the number of airline aircraft departures performed by major and national airlines at the Airport from Fiscal Year 1993 through Fiscal Year 2002. The

number of average daily airline aircraft departures increased from 93.2 in Fiscal Year 1993 to 102.6 in Fiscal Year 2002.

The size of an origin-destination market, as measured by the number of originating passengers, is related to the strength of the economy of an airport service area. Origin-destination passenger traffic in the Albuquerque area and other parts of the State consists of resident and visitor travel. The level of resident passenger travel is related to the size of the population base, overall activity and growth in the economy, companies that rely on airline travel for their business use, and disposable income levels that may affect the propensity for airline travel. The level of visitor passenger travel in the Albuquerque area and the State is related to (1) companies located in the Albuquerque area and the State that are visited by personnel from other offices or businesses located in other parts of the United States or the world, (2) the demand for tourist and convention facilities in the Albuquerque area and the State, and (3) people visiting residents.

### *Landed Weight*

Set forth below is a table which presents historical landed weight of major and national airline aircraft at the Airport from Fiscal Year 1993 through Fiscal Year 2002. Total landed weight is the sum of the certificated landing weight of all aircraft subject to a landing fee (primarily those in scheduled airline service).

The landed weight of major and national airline aircraft increased at a compounded average annual rate of 1.3% per year between Fiscal Year 1993 and Fiscal Year 2002, with some annual fluctuations. As shown below, the total landed weight for major and national aircraft decreased slightly (2.3%) in Fiscal Year 2002, and the average weight per aircraft landing decreased from 124.0 to 120.4 (thousand pound units).

### **Historical Landed Weight Albuquerque International Sunport**

Fiscal Year (ended June 30)	Aircraft Landed Weight (1,000-lb. Units)	Number of Aircraft Landings <sup>(1)</sup>	Average Weight per aircraft landing (1,000-lb. Units)
1993	4,024,308	34,012	118.3
1994	4,349,158	36,838	118.1
1995	4,528,173	37,193	121.7
1996	4,677,398	39,696	117.6
1997	4,874,101	40,061	121.8
1998	4,665,818	38,606	126.6
1999	4,648,161	38,036	122.2
2000	4,678,934	38,224	122.4
2001	4,617,951	37,247	124.0
2002	4,509,916	37,455	120.4

(1) Includes data for major and national airlines only. The number of aircraft landings are equal to the number of departures.

Source: City of Albuquerque, Department of Aviation.

The table does not include data for commuter and regional airlines such as Mesa Airlines, Skywest and Rio Grande Air, which have increased service at the Airport in recent years and use much lighter aircraft.

### *Airline Market Shares*

The following table presents the percentage shares of enplaned passengers and landed weight for the airlines serving the Airport in the Fiscal Years 1999, 2000, 2001 and 2002.

### **City of Albuquerque Airline Market Shares Albuquerque International Sunport Fiscal Years 1999-2002**

	FY 1999		FY 2000		FY 2001		FY 2002	
	% share enplaned passengers	% share landed weight	% share enplaned passengers	% share landed weight	% share enplaned passengers	% share landed weight	% share enplaned passengers	% share landed weight
<b>Major/National:</b>								
Southwest Airlines	45.9	40.8	48.8	43.1	50.3	44.8	52.3	47.8
American Airlines	9.6	6.7	9.0	6.6	8.6	6.5	9.7	7.7
Delta Air Lines	12.0	12.1	10.1	9.9	9.0	8.5	8.3	7.8
United Airlines	9.2	8.0	8.1	7.3	7.0	6.6	6.6	4.9
America West Airlines	6.3	4.7	6.7	4.7	6.7	4.9	6.6	4.9
Continental Airlines	5.0	3.7	5.4	3.9	5.5	4.0	5.8	3.7
Trans World Airlines	5.6	4.4	5.8	4.1	5.7	4.0	1.9	1.4
Northwest Airlines	2.4	1.9	2.6	2.0	2.6	2.0	2.6	1.9
Frontier Airlines	<u>0.9</u>	<u>2.7</u>	<u>1.0</u>	<u>2.7</u>	<u>1.2</u>	<u>2.8</u>	<u>1.5</u>	<u>3.3</u>
Subtotal	96.9	85.0	96.8	84.3	96.6	84.1	95.3	83.4
<b>Regional and Commuter:</b>								
Mesa Airlines	2.7	3.1	2.3	3.1	2.1	3.4	1.6	2.6
Skywest	0.4	0.3	0.8	0.5	1.2	0.8	2.0	1.3
Other	<u>    </u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>	<u>1.1</u>	<u>1.2</u>
Subtotal	3.1	3.5	3.2	3.8	3.4	4.6	4.7	5.1
<b>All Cargo:</b>								
United Parcel	--	5.6	--	5.7	--	5.8	--	6.2
Fed Ex	--	4.1	--	3.8	--	3.3	--	4.2
ABX Air	--	0.5	--	0.5	--	0.5	--	0.5
Other	<u>--</u>	<u>1.3</u>	<u>--</u>	<u>1.9</u>	<u>--</u>	<u>1.7</u>	<u>--</u>	<u>0.6</u>
Subtotal	--	11.5	--	11.9	--	11.3	--	11.5
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: City of Albuquerque, Department of Aviation.

In each of Fiscal Years 1999 through 2002, the top four airlines combined enplaned at least 72% of the total number of passengers at the Airport, with the top two airlines accounting for 55.5 to 62.0% of enplaned passengers in the same four years. In Fiscal Year 2002, Southwest Airlines ranked first in number of enplaned passengers at the Airport (52.3%). Delta Air Lines and American Airlines ranked second and third, collectively comprising 18.0%.

The share of passengers enplaned by the regional and commuter airlines at the Airport increased from 3.1% in Fiscal Year 1999 to 4.7% in Fiscal Year 2002 as the share of passengers enplaned by major and national airlines declined by about 1.6%.

In Fiscal Year 2002, Southwest Airlines accounted for the greatest share of landed weight at the Airport (with 47.8%). Delta Air Lines ranked second with 7.8% of the total and American Airlines ranked third with 7.7%.

#### *Agreements with the Signatory Airlines*

The Signatory Airlines, which include America West Airlines, American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines and United Airlines, have each entered into an existing Airline Agreement with the City. UAL Corporation, the parent of United Airlines, filed for Chapter 11 Bankruptcy on December 9, 2002.

Trans World Airlines, a former Signatory Airline, declared bankruptcy in Fiscal Year 2001 and operations were taken over by TWA LLC, a subsidiary of American Airlines. The TWA Bankruptcy Estate filed a "Preference" claim against the City for \$198,478.80. With the assistance of the City's outside bankruptcy counsel in Delaware, where TWA's case was filed, the claim was disputed. The City has recently received a pleading in the case that indicates the claim has been reduced to \$52,183.97. The City does not dispute that amount and the matter should be settled shortly.

The Signatory Airline Agreements govern the right to operate scheduled service to and from the Airport and the lease of space within the Terminal Complex. The term of the Signatory Airline Agreements extends ten (10) years, from July 1, 1996 to June 30, 2006. Under the Signatory Airline Agreements, rental rates are calculated according to a commercial compensatory method after allowing a credit for a portion of the net concession revenues generated in the Terminal Complex. Reference is made to the Signatory Airline Agreements for a complete statement of the provisions or contents thereof.

#### *Agreements with Non-Signatory Airlines*

The other passenger airlines which are not Signatory Airlines include Mesa Airlines, Skywest Airlines, Great Plains Airlines, Rio Grande Air and Frontier Airlines. In 1996, Frontier Airlines and Skywest Airlines each entered into a one-year agreement with the Airport, which contracts have been continued in effect since 1997 on a month-to-month basis. Mesa Airlines, Rio Grande Airlines, and Great Plains Airlines each have agreements with the Airport on a continuing month-to-month basis. These agreements commit the airlines to pay certain fees and lease certain space in connection with use of the Airport Facilities.

#### *All Air-Cargo Airline Agreements*

Three of the all air-cargo airlines which serve the Airport (ABX Air, Fed Ex and United Parcel Service) have entered into a Scheduled Cargo Airline Operating Agreement and Cargo Building Lease (an "All Air-Cargo Airline Agreement") with the City concerning its use of the Airport Facilities. Under such All Air-Cargo Airline Agreements, each of the all air-cargo airlines leases exclusive use of certain space inside the Airport's Air Cargo Building and also receives preferential use apron parking spaces at the Air Cargo Apron.



### *The Airline Industry*

Net revenues of the Airport may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Signatory Airline Agreements, or by the ability of the non-Signatory Airlines or the all air-cargo airlines to meet their obligations to pay fees and rates charged by the Airport under their agreements. Each of the Signatory Airlines (or their respective parent corporations) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information as of particular dates concerning each of the Signatory Airlines (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at 219 South Dearborn Street, Room 1204, Chicago, Illinois 60604; 26 Federal Plaza, Room 1028, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648, and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each Signatory Airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates.

### *Airport Master Plan*

In the fall of 1999, the City began the process of updating the Airport Master Plan, which had been approved by the City Council on October 17, 1994. Coffman Associates, Inc., a consulting firm specializing in airport planning, was hired to complete the update of the master plan. Coffman Associates is very familiar with the history and planning of the Airport, as they also prepared the former Airport Master Plan. The current planning effort is essentially a re-examination and re-evaluation of the conclusions of the existing plan. It also comprises a potential re-structuring of the existing plan's projects for the upcoming five years.

The revised Airport Master Plan has been submitted to the planning Department for review and has been approved by the Environmental Planning Commission ("EPC") and has been submitted to the City Council for final approval. The City Council is expected to consider the Master Plan in February 2003. The plan update will set forth staged development proposals (short-, intermediate- and long-term) out to the plan's horizon year of 2025. The Airport Master Plan also sets forth a number of additional projects which are alternative projects such as expansion of the terminal complex to the east, construction of a new parking structure, expansion of long-term surface parking, improvements to the terminal access roadway system, taxiway improvements and construction of a new air cargo area southeast of Runway 3-21.

### *Reliever Airport Master Plan*

URS Corporation is the consultant for the completion of the Reliever Airport Master Plan. Although previous planning efforts have been undertaken for the Reliever Airport, no plan was completed or formally adopted by the City Council.

The planning effort developed short-term and long-term goals for the Reliever Airport. Key issues include the potential future runway development, development of infrastructure to accommodate users of the airport facilities (such as newcomer Eclipse Aviation), and land use and environmental issues. A main focus is the potential for a longer runway for better utilization of the Reliever Airport as a reliever airport to the Albuquerque International Sunport.

A technical team and a citizen advisory group aided in the planning process. The updated plan was reviewed and approved by the City's Environmental Planning Commission in October 2002. The plan was approved by the City Council on January 13, 2003.

### *Consolidated Rental Car Facility Project*

The Consolidated Rental Car Facility was completed in March 2001. The Facility resulted from the approved Landside Master Plan's recommendation that the City provide new rental car facilities in an area located on the west side of the airport to: (i) accommodate future rental car facility requirements and operations; (ii) reduce roadway congestion; (iii) improve terminal area air quality; and (iv) provide areas for future expansion of other airport facilities.

The Consolidated Rental Car Facility consists of a Customer Service Building, Ready/Return Parking Area, and Service Center Facilities and related roadway improvements. The Consolidated Rental Car Facility Project cost approximately \$46.0 million, and was financed using proceeds of bonds issued by the City and payable from Airport Revenues in addition to Airport equity. The bonds are secured by a lien on the Airport Revenues subordinate to a lien thereon of the Airport's Senior Parity Obligations and on parity with a lien thereon of the Airport's Subordinate Parity Obligations. See "OUTSTANDING CITY OBLIGATIONS - Enterprise Obligations - Airport Revenue Bonds."

The Facility is located on approximately 76 acres of Airport property southwest of the Terminal Complex and is served from the primary Airport access roadway, Sunport Boulevard, via University Boulevard. The Consolidated Rental Car Facility is expected to accommodate nine rental car companies for a period of 20 years. All rental car companies serving the Airport are required to transport their customers between the Customer Service Building and the Terminal Complex on a common rental car shuttle bus system.

Under leases executed with nine rental car companies, the City receives a privilege fee, a monthly use fee, reimbursement of certain costs and a Customer Facility Charge, all as described in "Airport Financial Information - Nonairline Terminal Complex Revenues." In addition, the City has executed 20-year leases with the On-Airport Rental Car Companies for use and lease of the Service Center Facilities.

ANC Rental Corporation ("ANC"), the parent corporation of Alamo Rent-A-Car and National Car Rental filed a Chapter 11 Bankruptcy Petition in December 2001. ANC is the

holding company for Alamo Rent-A-Car and National Car Rental. Both Alamo and National are parties to concession agreements and service center leases for space at the Consolidated Rental Car Facility. ANC Rental Corporation has rejected the Alamo Counter space and Ready Return Agreement and has proposed to accept assignments of the Alamo Service Center Lease, the National Counter space and Ready Return Agreement and the National Service Center Lease. The City has not yet agreed to the proposed assignment of lease, pending an anticipated Federal Court of Appeals decision on complaints that Hertz Rent-A-Car has raised.

Budget Rent-A-Car filed a Chapter 11 bankruptcy petition in October 2002. Despite threats of default on its contracts with the City, it is current on its contractual obligations. Subsequently it was reportedly purchased by the owner of Avis Rent a Car and its bankruptcy remains as the Debtors address other issues not directly related to the Albuquerque International Sunport.

With relocation of car rental operations to the new site, the 441 spaces in the airport's four-level parking structure adjacent to the terminal building formerly used by On-Airport Rental Car Companies became available for public parking. Although some of these spaces temporarily were cordoned off as part of the tightened security measures instituted by the FAA subsequent to September 11, 2001, all such restrictions were lifted in December 2002. The parking structure can easily accommodate the current and anticipated levels of parking demand.

#### *Airport Financial Information*

Gross Airport Revenues are defined (for purposes of describing the security for the outstanding airport revenue bonds of the City) to be all income and revenues derived directly or indirectly by the City from the operation of the Airport, or any part of the Airport, including income and revenues resulting from improvements, extensions, enlargements, repairs or betterments or additions to the Airport. The Airport is defined to mean all of the City's existing and future Airport Facilities, including the Albuquerque International Sunport, the Reliever Airport and all related facilities except Special Facilities (as defined in the bond ordinance). For purposes of meeting the rate covenant and tests for issuing additional Senior Parity Obligations or Subordinate Parity Obligations, Gross Airport Revenues may, at the City's option, include unencumbered funds from Net Revenues of prior fiscal years (including amounts from the Capital Fund) deposited in the Revenue Fund but only in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the fiscal year in which the deposit to the Revenue Fund is made for Airport Obligations.

Historically, Gross Airport Revenues have been comprised of (i) airline revenues and (ii) revenues from sources other than airline rentals, fees and charges, such as terminal building concession and non-airline space rental revenues, parking revenues, airfield revenues and certain other revenues in the following amounts:

## Historical Gross Airport Revenues (000s omitted)

	Fiscal Year ended as of June 30									
	1998		1999		2000		2001		2002	
	\$	%	\$	%	\$	%	\$	%	\$	%
Airline revenues	\$23,433	45.4%	\$23,215	45.0	\$24,255	44.9%	\$24,447	43.4	\$24,707	42.7
Non-Airline Revenues:										
Terminal Complex										
Concession and space										
Rentals	8,867	17.2	9,271	18.0	10,159	18.8	10,304	18.3	11,516	19.9
Passenger Facility	8,517	16.5	8,259	16.0	8,290	15.4	8,545	15.2	7,083 <sup>(1)</sup>	12.3
Charges										
Customer Facility	--	--	--	--	--	--	1,841	3.3	3,360	5.8
Charges										
Parking area -										
Public parking	6,996	13.6	7,534	14.6	7,705	14.3	7,518	13.3	5,972	10.3
Other revenue	599	1.1	498	1.0	588	1.1	448	0.8	405	0.7
Airfield	415	0.8	496	0.9	530	1.0	539	1.0	567	1.0
Reliever Airport	30	0.1	40	0.1	58	0.1	48	0.1	38	0.1
Other areas	1,975	3.8	1,631	3.2	1,808	3.3	2,455	4.4	3,782	6.5
Miscellaneous Revenues	<u>772</u>	<u>1.5</u>	<u>619</u>	<u>1.2</u>	<u>608</u>	<u>1.1</u>	<u>192</u>	<u>0.3</u>	<u>387</u>	<u>0.7</u>
<b>TOTAL</b>	<u>\$51,604</u>	100.0%	<u>\$51,563</u>	100.0%	<u>\$54,001</u>	100.0%	<u>\$56,336</u>	100.0%	<u>\$57,818</u>	100.0%

(1) The Fiscal Year 2002 accrual for PFC revenue was understated by \$657,383. This occurred due to the transition within accounts receivable systems at the Airport.

Source: City of Albuquerque, Department of Aviation.

Airline Revenues include revenues from the Signatory Airlines under the Airline Agreements, non-signatory passenger airlines and cargo airlines. Components of Airline Agreement revenues include charges for terminal space rentals, loading bridge fees, baggage claim device charges and landing fees. Cargo airlines are required to pay landing fees and ramp use fees pursuant to certain agreements.

On August 23, 1994, the Federal Aviation Administration Authorization Act (the "FAA Authorization Act") was signed into law which continues the pre-existing federal requirement that airline rates and charges set by airports be "reasonable" and mandates an expedited administrative process by which the Secretary of Transportation shall review rates and charges complaints brought by airlines. In January 1995, pursuant to the FAA Authorization Act, the U.S. Department of Transportation ("DOT") issued its final rule (the "Final Rule") outlining the procedures to be followed in determining the reasonableness of new fees or fee increases imposed on airlines. In June 1996, DOT also issued a policy statement (the "Policy Statement") setting forth DOT's standards for determining the reasonableness of the fees charged to airlines and other aeronautical users.

Federal law and DOT regulations therefore authorize the airlines, subject to certain limitations, to challenge the reasonableness of new or increased landing fees imposed by airport operators. If such fees or portions thereof are determined to be unreasonable, the airlines may be entitled to refunds of the unreasonable fee or portion thereof together with interest.

Sponsors of airports that receive federal grant assistance are also subject to separate restrictions on the uses of airport revenues. As a general matter, subject to certain exceptions, airport sponsors are required to use airport revenues solely for the capital or operating costs of an

airport, an airport system, or other local facilities which are owned or operated by the owner or operator of the airport system and which are directly and substantially related to actual air transportation of passengers or property. On February 26, 1996, the FAA issued a Proposed Policy and Procedures Concerning the Use of Airport Revenue, which was intended to, among other things, provide guidance on permitted and prohibited uses of airport revenue. On December 18, 1996, the FAA issued a Supplemental Diversion Policy which is intended to provide specific guidance on the use of airport revenues and property for, among other things, community and charitable activities, regional economic and airport promotional activities and mass transit facilities. In addition, on October 16, 1996, the FAA promulgated new expedited procedures designed specifically for handling complaints regarding illegal airport revenue diversion.

As a result of these new policies and procedures, decisions by management of federally-assisted airports to expand services or facilities or to offer services and facilities related to existing airport facilities are potentially subject to challenge based on allegations that airport revenues are being used for non-airport purposes. As a result, challenges based on alleged unlawful use of airport revenue constitute one of the ordinary risks of operating an airport under current regulatory conditions. Further, DOT regulations provide for substantial sanctions against airport sponsors or operators that are determined to have illegally directed airport revenues to non-airport purposes, including the loss of existing airport grant funding, disqualification from future airport grant funding, withholding the approval to impose a Passenger Facility Charge, termination of availability of other federal transportation funding, and potential monetary penalties. These sanctions are typically subject to procedures for litigation including the provision for return of the airport funds found to be illegally diverted together with interest.

Nonairline Terminal Complex Revenues include revenues from concessions, fees and nonairline space rentals. Terminal Complex concessions include rental car companies, food and beverage concessions, news/gift stores and other concessions. The largest component of nonairline Terminal Complex revenues has historically been generated by rental car privilege fees.

In connection with the March 17, 2001 opening of the City's new Consolidated Rental Car Facility, nine rental car companies - Avis, Budget, Dollar, Hertz, National, Advantage, Thrifty, Enterprise and Alamo (collectively, the "On-Airport Rental Car Companies") - have entered into 5-year lease agreements with the City for use and lease of counter space at the Customer Service Building and parking spaces at the Ready/Return Parking Area. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross receipts against a minimum annual guarantee; (b) a monthly fee for use of the Ready/Return Parking Area (included in the Other Areas cost center as discussed in "Revenues from Other Areas"); and (c) reimbursement for any Airport operating expenses allocated to the Customer Service Building. Also under the agreements, the On-Airport Rental Car Companies are required to collect a fee (the "Customer Facility Charge") per rental car contract day, as authorized by City Resolution R-210. The Customer Facility Charge will be calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system; (ii) debt service requirements of bonds issued to finance the Facility; and (iii) other allocable costs associated with the Customer Service Building, passenger pick-up and drop-off areas and canopies at the Customer Service Building, and roadways used by the shuttle buses. Fees and charges imposed

by the agreements with the On-Airport Rental Car Companies may be adjusted by the City from time to time. The Customer Facility Charge is to be recalculated by the City at least annually based on the projected number of rental car contract days and costs associated with the elements of the Consolidated Rental Car Facility. However, the Customer Facility Charge was limited to \$1.53 per rental car contract day for the first year and the City implemented the Customer Facility Charge at \$1.53 per rental car contract day for that year. At the end of the first year of CFC collections, on November 1, 2001, the CFC was increased to \$1.95 per contract day. The increase was mainly due to lower than anticipated total transaction days, in part because of the downturn in traffic subsequent to the events of September 11, 2001.

In the event that the projected revenues from the Customer Facility Charge in any year are less than the costs associated with the common rental car shuttle bus system and the areas described above, the On-Airport Rental Car Companies will be required to pay the City additional rent equal to the shortfall in Customer Facility Charge revenues. Excess revenues from the Customer Facility Charge in any year may be used in the following year to pay shuttle bus and other costs, as well as reduce the amount of the Customer Facility Charge in that year.

Additional sources of nonairline Terminal Complex revenues are generated under agreements with CAOne Services Inc., Fresquez Concessions, Inc. and Black Mesa Coffee Company, to provide food and beverage services within the Terminal Complex. These agreements extend to May 2007. Under the terms of the agreements, each tenant is required to pay the City certain percentages of gross revenues including minimum annual guarantees.

The City also has operating agreements with multiple concessionaires at the Airport that offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. Under the terms of these agreements, the City receives the larger of (i) a percentage of gross receipts or (ii) a minimum annual guaranteed amount.

The new Retail Concession Program at the Albuquerque International Sunport is beginning to take shape. Contracts have been executed with five (5) retail vendors, which were selected through the Request for Proposal process. The retail vendors are: Avila Retail Development (Fiesta Market, Earth Spirit, and two kiosks), El Mercado del Sol (Distant Drums, Thunderbird Curios, and one kiosk), Hudson News (Hudson News & Gifts, The Book Corner, and The Newsstand), Señor Murphy Candymaker (two kiosks), and Page Industries (two kiosks).

Temporary retail spaces have been developed pre-security and post-security and are now fully functional. Shell development for new permanent store locations began in mid-December and will be available for tenant improvements approximately the first of March 2003. It is anticipated that all stores will be open for business by July 1, 2003. Three new stores will be added in the Food Court area, kiosks will replace carts in the concourses, and the two stores currently located prior to the security checkpoint will be enlarged and expanded to include an additional store.

The retail expansion is necessary to provide additional services to the traveling public. Due to new security mandates, passengers will have more dwell time in airports, particularly past the security checkpoint. By providing more retail opportunities, the expansion will benefit

travelers by giving them more choices. Instead of the “general store concept,” the Sunport will offer more specialty shops. The focus will be on New Mexico flair, accomplished primarily through the design of the stores and the products available. Companies and artisans from New Mexico produce most of the products offered.

Passenger Facility Charges (PFCs) were authorized by Congress as part of the Aviation Safety and Capacity Act of 1990 and were originally intended to supplement Airport Improvement Program (AIP) grants that are distributed from the Airport and Airway Trust Fund. AIP grants typically fund up to 84% of an eligible project. The balance must come from a local “match.” One of the intended uses of PFCs was to enable airports without sufficient other revenue sources to use PFCs to fund that matching portion. Allowed uses of PFCs are for capital projects that (1) preserve or enhance capacity, safety or security of the air transportation system, (2) reduce noise or mitigate noise impacts, or (3) furnish opportunities for enhanced competition between or among air carriers (i.e., provide additional gates). PFC revenue cannot be used for commercial facilities at airports such as restaurants and other concession space, rental car facilities or public parking facilities. While the original intention was to supplement capital needs, it is becoming more and more likely that PFCs will replace AIP grants.

On March 22, 1996, the Airport received approval from the FAA to impose a \$3.00 PFC at the Airport, and to collect a total of \$49,638,000 over a period of approximately six years, beginning July 1, 1996. See the “Historical Gross Airport Revenues” table under this caption for information regarding PFC Revenues collected to date. These monies are available to fund (or to repay bonds used to complete) eligible projects. Monies collected as a result of the PFC approved March 22, 1996 have been used to pay eligible project costs and make debt service payments on the Subordinate Series 1996A Bonds, which were completely retired in November 2002. Pursuant to the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (“AIR 21”), signed into law on April 5, 2000, the maximum PFCs allowed to be charged by qualifying airports have been increased from \$3.00 to \$4.50, provided that certain requirements set forth in such legislation and pending regulations issued by the FAA are met. AIR 21 also has increased the funds available for AIP grants. However, pursuant to AIR 21, no application submitted by certain airports for the imposition of PFCs or for AIP grants will be approved by the FAA after October 1, 2000, unless the applying airport has submitted a competition plan acceptable to the FAA. The airports that are required to comply with these provisions of AIR 21 include airports that board more than 0.25% of all passengers throughout the United States and at which one or two air carriers control more than 50% of the passenger boardings at such airport, both of which criteria are met by the Airport. AIR 21 sets forth certain information to be provided in the competition plan including information on the availability of airport gates and related facilities and leasing and sub-leasing arrangements. The Airport submitted a competition plan to the FAA and received FAA approval of such plan on April 23, 2001. Also, a required FY2002 annual update to the plan was prepared and submitted to the FAA in November 2001. The Competition Plan Update was accepted by the FAA in correspondence dated August 29, 2002; the next plan update will be due eighteen months from that date.

Subsequent to approval by the Mayor and City Council in December 2001, the Aviation Department submitted a formal application to the FAA to extend the \$3.00 PFC at the Airport. Extension of the \$3.00 PFC at the Airport may reduce future financing costs for major capital projects and decrease the current landing fees by reducing the amortization included in the rates

and charges of the Airport. The FAA notified the Aviation Department that the application was approved on February 27, 2002. The second PFC program went into effect in June of 2002.

Parking Area Revenues include revenues from the public parking facilities at the Airport as well as revenues from taxi cab permits, employee parking and commercial vehicle lane fees. The City's Airport parking facilities, all of which are currently operated by the City, include a parking structure for short-term parking, a surface lot for long-term parking located immediately north of the parking structure with 480 spaces, and four employee lots which together provide approximately 690 spaces. The parking structure provides approximately 3,400 parking spaces on four levels and is connected to the Terminal Complex by an underground tunnel. Rates at the parking structure were increased in February 1999 from \$5.00 to \$7.00 per day. These rates had not changed since the opening of the parking structure in 1989.

With relocation of the rental car facilities and operations to the Consolidated Rental Car Facility in March 2001, 441 additional spaces in the parking structure became available for public parking. Although approximately 500 of these spaces were temporarily excluded from use, due to tightened FAA security procedures subsequent to September 11, 2001, all such restrictions were removed in December 2002. In addition, the area previously occupied by approximately 250 spaces in a surface lot became available for commercial operators needing extended dwell times to collect their passengers. This has helped to relieve congestion in the commercial lane, and also accommodate some employee parking. In September 2002, portions of the surface lot (88 spaces) were made available for employee parking, while continuing to provide ample room for commercial operators in the lot.

Airfield and Reliever Airport Revenues include landing fees from general aviation users, military operations (including Kirtland Air Force Base under its agreement) and nonscheduled airlines. See "Albuquerque International Sunport - Generally."

With respect to revenues generated at the Reliever Airport, the City has an agreement with a fixed base operator to provide general aviation services at the Reliever Airport.

Revenues from Other Areas principally include leased site and building rentals which are part of Gross Airport Revenues. The major sources of leased site rental revenues are the Wyndham Albuquerque Hotel, rental car service areas, rental car ready/return lot space rentals, general aviation fixed base operators and cargo building rentals. The Wyndham Albuquerque Hotel, located at the Airport, pays a percentage of gross receipts for alcoholic beverages, room rentals and other miscellaneous categories against minimum annual guarantees. The Wyndham Albuquerque Hotel lease runs through December 18, 2023.

The Transportation Security Administration (TSA) is in the process of leasing the refurbished, historic Terminal Building to the west of the main Terminal Complex. Negotiations are underway to execute the specific lease agreement, which will entail the TSA's leasing of approximately 11,000 sq. ft. It is anticipated that the lease of the old terminal building space will generate approximately \$190,000 per year in revenue.

The On-Airport Rental Car Companies pay a monthly fee for use of the Ready/Return Parking Area pursuant to the five-year leases described in "Airport Financial Information -



Nonairline Terminal Complex Revenues.” In addition, pursuant to the 20-year leases entered into by the On-Airport Rental Car Companies and the City for use and lease of the Service Center Area, the City receives rents based on the square footage of buildings and land which are used to pay debt service costs of the Service Center Area.

Historical Financial Information. The table below compares historical financial results of the Airport for the last five Fiscal Years. For detailed financial information for the Airport, see the City’s Comprehensive Annual Financial Reports.

**Albuquerque International Sunport  
Historical Financial Information  
Fiscal Years 1998-2002  
(\$000)**

	1998	Fiscal Year ended June 30			
		1999	2000	2001	2002
Total operating revenues	\$42,378	\$42,791	\$45,694	\$47,764	\$50,402
Non-operating revenues (expenses):					
Interest (1)	2,416	1,583	1,629	1,725	1,919
Passenger Facility Charge	8,517	8,258	8,290	8,545	7,083
Other	14	310	(211)	(13)	99
Gain (loss) on disposition of Property & Equipment	(10)	(17)	3	(10)	(10)
Transfers in/(out)	0	0	0	0	0
Total adjusted revenues	<u>\$53,315</u>	<u>\$52,925</u>	<u>\$55,405</u>	<u>\$58,011</u>	<u>\$59,493</u>
Total operating expenses (excluding interest expense)	\$35,517	\$37,341	\$38,944	\$43,964	\$50,754
Less:					
Payments in lieu of taxes	0	0	0	0	0
Depreciation	(20,717)	(21,266)	(21,418)	(23,321)	(28,417)
Amortization	0	0	(491)	(508)	(900)
Total adjusted operating expenses	<u>\$14,800</u>	<u>\$16,075</u>	<u>\$17,036</u>	<u>\$20,135</u>	<u>\$21,437</u>
Net revenues, all funds combined	<u>\$38,515</u>	<u>\$36,850</u>	<u>\$38,370</u>	<u>\$37,876</u>	<u>\$38,056</u>

(1) Includes the change in the unrealized gain or loss on investments between the beginning balance and the end of the fiscal year balance in accordance with Statement No. 31 of the Governmental Accounting Standards Board.

Sources: City of Albuquerque Comprehensive Annual Financial Reports, Fiscal Year 1998-2002.

### **Joint Water and Sewer System**

The Joint Water and Sewer System, owned by the City and operated by its Public Works Department, includes certain water facilities and properties (the “Water System”) and certain sanitary sewer facilities and properties (the “Sewer System,” and, together with the Water System, the “Water/Sewer System”).

### *Water System*

The Water System provides water services to approximately 490,000 customers comprising approximately 88% of the residents of Bernalillo County, New Mexico. About one-third of unincorporated Bernalillo County residents are customers of the Water System. Service is provided to approximately 153,200 accounts, including 138,400 residential and 14,800 commercial, institutional and industrial accounts, as of the end of Fiscal Year 2002. Approximately 56% of the City's water sales are for residential uses.

Ground water from the middle Rio Grande basin fill aquifer underlying the City is presently the sole source of supply used for the Water System. The supply is produced from 93 wells grouped in 25 well fields located throughout the metropolitan area. Total well production capacity is approximately 294 million gallons per day ("MGD"). Maximum historical peak day demand is 214 MGD. A chlorination/fluoridation station associated with each well field satisfies the total required water treatment needs for the water produced in such well field. Ground storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is then distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 psi for consumers.

Forty-five reservoirs are located throughout the City, with a total reservoir storage capacity of 211 million gallons. If demand requires, reservoir water can also be transferred uphill through a pressure zone to the next highest reservoir or in an east-west series of reservoirs by means of pump stations sited at the reservoirs.

There are a total of 110 boosters, with a total capacity of 680 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by over 2,500 miles of pipelines and are situated at various locations east and west of the City to provide multiple sources of supply to customers and for operating economics. In this way, the Water System takes advantage of the unique topography of the Albuquerque area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the system for control from a central control facility.

### *Water Supply*

Existing Water Resources. The City is currently operating under a ground water withdrawal permit issued by the New Mexico State Engineer's Office that allows annual withdrawals of 132,000 acre-feet. The average annual withdrawal for the five years ending in 2002 was 110,597 acre-feet, with a maximum of 114,991 acre-feet in 2000. All of the City's water supply is currently pumped from ground water located beneath the metropolitan area. Implementation of the City's adopted Water Resources Management Strategy is underway to make full use of the City's existing surface water resources and to decrease ground water pumping.

Additionally, the City currently has the right to use consumptively 71,744 acre feet of water per year, including imported water from a contract with the Secretary of the Interior for 48,200 acre-feet per year firm delivery from the San Juan-Chama Project, vested water rights of

17,875 acre-feet dating from the Rio Grande Basin declaration in 1956 by the New Mexico State Engineer, and other water rights holdings totaling 6,145 acre-feet. The City's program of water rights acquisition continues to increase its holdings each year. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, approximately 31,000 acre-feet of City-owned imported San Juan-Chama deliveries from previous years is stored in reservoirs located in northern New Mexico.

The New Mexico State Engineer's Office is responsible for evaluating the effects of Albuquerque's ground water pumping on depletion of the Rio Grande Basin. On September 22, 2000, the Office of the State Engineer for New Mexico promulgated new administrative guidelines for water rights administration in the Middle Rio Grande addressing the process for evaluating new ground water applications. The State Engineer has adopted a new three-dimensional ground water flow model for determining the effects of ground water withdrawals on the surface water of the Rio Grande. All new applications for appropriation of ground water will be evaluated based on the following criteria (revised since the draft criteria published in 1999): impairment, conservation of water within the State and public welfare. Under the new guidelines, the City's San Juan-Chama and water rights holdings will not be fully utilized to offset river depletions until the year 2031.

The City's contract for imported San Juan-Chama water and its rights to Rio Grande Basin water are sufficient to support, in perpetuity, a population of more than 700,000 using 175 gallons per capita per day with 50% consumptive use and 50% return flow. Alternately, these same water resources will support a population of 500,000 using water at the rate of 250 gallons per person per day. The current service population is about 490,000, and the current usage is approximately 196 gallons per capita per day. In 1994, the City initiated the "Water Conservation Program" and the "Ground Water Protection Plan" described below under such captions.

Water Supply Plan. Prior to 1997, the water supply plan for the City of Albuquerque, which was based on technical knowledge of the surface and ground water systems at the time, could be summarized as follows: The City would pump ground water to meet water system demands; ground water pumping would cause additional seepage (induced recharge) from the river; and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama Diversion Project. However, technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation have concluded that additional annual seepage from the Rio Grande associated with the City's ground water pumping is currently less than the City's wastewater return flows to the river. This means that the depletion of river flow caused by the City's pumping is offset by the City's wastewater return flow. Further, the limited additional seepage means that the City's ground water pumping is causing depletion of the aquifer underlying the City. The over-compensating offset of the limited additional seepage with wastewater return flows means that the City's surface water resources are not being fully utilized for the City's sustainable water supply. Technical work is continuing to provide water resources information needed for long-term management and to resolve uncertainties prerequisite to eventual Federal and State permitting of the City's water supply solutions

In the spring of 1997, the Albuquerque Water Resource Management Strategy (“AWRMS”) was adopted by the City Council as the City’s water supply plan. The adopted AWRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The AWRMS: (1) calls for the City to more fully utilize its renewable water resources in order to reduce reliance on ground water to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas and provide a non-potable industrial water supply source; (3) provides for the development of a ground water drought reserve, which was recommended by resource economists in a report commissioned by the City Council to provide for the City’s anticipated year 2060 water demands even through a 10-year drought with no use of surface water (two million acre-feet); (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the AWRMS (including \$10.8 million for costs of site selection and acquisition, \$207.8 million for the drinking water supply project, and \$29.4 million for the three reclamation and reuse projects) is \$248 million. The future annual operating and maintenance costs for the AWRMS program are estimated at \$14.8 million.

The City is now implementing the four specific projects identified in the AWRMS: the drinking water project and three water reclamation and reuse projects. The City submitted application to the State Engineer’s Office on May 21, 2001 for diversion and full consumptive use of the City’s San Juan-Chama water. The permit has been advertised and hearings were initiated in December 2002 and will continue in February 2003. The City expects the State Engineer to act on the application in February or March 2003. The City, in cooperation with federal, state and local agencies, selected, in a Town Hall meeting held in April 2001, a preferred alternative for diversion, siting of the water treatment plant and transmission facilities to integrate the surface water facilities with the existing water distribution system. The Draft Environmental Impact Statement (EIS) with such preferred alternative was advertised for public comment in June 2002 and EIS Public Hearings were held in July 2002. A Record of Decision on the EIS is anticipated in May 2003. The City has selected consultants for design of the drinking water project and has completed contract negotiations with the majority of the firms. Design of the drinking water project will begin in February 2003, with construction to begin in January 2004..

With respect to the three water reclamation and reuse projects which were identified in the AWRMS, the first project, the Industrial Recycling Project, has been complete and operational since approximately August 2000 and has been providing water to the Albuquerque International Balloon Fiesta Park and recreational complex. The second project, the Non-Potable Surface Water Reuse Project, will provide non-potable surface water for industrial and irrigation use in the Northeast Heights of Albuquerque. The third project, the Southside Municipal Effluent Polishing and Reuse Project, will utilize treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of Albuquerque. The City received a Finding of No Significant Impact (FONSI) in February 2001 for the Environmental Assessment for the two yet-to-be-completed reuse projects. With respect to the Non-Potable Surface Water Reuse project, the City received a State Engineer’s permit to divert 3,000 acre-feet of San Juan-Chama water on October 25, 2001. Design of the Non-Potable Surface Water Reuse project has been completed, and construction commenced in September 2002. Consultant selection for the

Southside Municipal Effluent Polishing and Reuse Project was completed in June 2002. Design will commence in March 2003 with construction scheduled to start in January 2004.

To finance the implementation of the AWRMS, the City Council adopted the strategy's recommended financial plan, which called for seven years of phased incremental increases in water rates sufficient to cover the estimated capital costs, and estimated operating expenses, necessary to implement the strategy through the year 2007 ("AWRMS Rate Increases"). Each AWRMS Rate Increase is to be specifically approved by City Council. The first five dedicated incremental AWRMS Rate Increases went into effect on May 1, 1998, May 1, 1999, May 1, 2000, May 1, 2001, and May 1, 2002. The remaining two planned AWRMS rate increases in the financial plan have also been approved by City Council and will become effective May 1, 2003 and May 1, 2004. See "Increases to Rates and Charges" under this caption.

Silvery Minnow Litigation. The Rio Grande silvery minnow was designated as an endangered species in 1994. A group of environmental organizations filed suit against the United States (Bureau of Reclamation and the Army Corps of Engineers), claiming that the United States had the discretion and authority to release water from Heron Reservoir (the San Juan-Chama reservoir located in northern New Mexico) for the sole purpose of providing habitat for the minnow. In addition, the environmental groups claimed that the City's contract with the United States provided the authority for the U.S. to reallocate the City's San Juan-Chama water to the minnow.

The United States District Court for the District of New Mexico ruled in April 2001 that the United States must consult with the Fish and Wildlife Service about reducing deliveries of San Juan-Chama water to the City and others to provide water for the minnow. In September 2002, the District Court ruled that the United States had the discretion to directly release San Juan-Chama water from Heron Reservoir and further ruled that the United States should reduce deliveries of San Juan-Chama water to the City if needed for the minnow.

The City and the State intervened in the litigation and filed with the Tenth Circuit Court of Appeals a Request to Stay the District Court's September 2002 Order. The Court of Appeals granted the Stay and heard argument on January 14, 2003. The parties have requested an expedited ruling and are hopeful that the Court of Appeals will rule on the matter within the next few months. It is likely that any decision will be appealed to the United States Supreme Court.

If the District Court's ruling is upheld on appeal, the United States will be required to release San Juan-Chama water for the silvery minnow whenever it deems it necessary, thereby reducing the amount of San Juan-Chama water will be available to the City and forcing the City to rely on the aquifer for its water supply. The City cannot predict how much, if any, San Juan-Chama water will be available to it.

New Arsenic Standard Applicable to Water Supply. The United States Environmental Protection Agency promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. The new standard becomes effective in 2006 and the City must develop a treatment program to meet the new standard. The Public Works Department is currently evaluating and implementing tests of procedures on existing water wells that are designed to reduce the level of arsenic in City

drinking water to meet the new standard. The estimated costs of obtaining compliance within the new standard, as of January 2003, range from \$30,000,000 to \$50,000,000.

Water Conservation Program. In an effort to extend the lifetime of City water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. During the calendar year 1987 through 1993 “baseline” period, gross community per capita water use averaged 250 gallons per day. Gross community water use will need to be reduced to 175 gallons per capita per day to achieve the 30% conservation savings goal. At the end of the first quarter of Fiscal Year 2003 (calendar year 2002), seven and one-half years after the City’s adoption of the conservation strategy, goals, and initial funding of the conservation program, Albuquerque customers had reduced their use approximately 26% compared with use during the established baseline period. When weather is taken into account, through regression model analysis, comparative water usage was down by 28% at the end of Fiscal Year 2002. The City has in the past and will continue to take conservation strategy, goals and changes in use into account in developing revenue estimates and its financial planning for the System.

The long-term water conservation strategy elements implemented to date include an extensive public education and marketing effort, financial incentives for replacement of high volume toilets with low volume toilets, financial incentives for replacing existing high water use landscaping with xeriscaping, financial incentives for replacing high water use washing machines with low use models, and free water use audits. Residential audits include retrofits of showerheads, faucet aerators, and toilet displacement devices. Mandatory water waste prohibitions and limited use of high water use plants in landscaping new development have been enacted and are being enforced. New components now underway include recommendation of more aggressive excess use surcharges, reduction of water produced by the utility but not billed to customers, and developing methods for more accurate evaluation of the conservation program. The City has also adopted a large-user ordinance requiring that customers using more than 50,000 gallons per day, including multi-family residential, commercial and industrial customers, develop and implement a conservation plan.

Ground Water Protection Plan. In 1994, the City adopted jointly with Bernalillo County the Albuquerque/Bernalillo County Ground Water Protection Policy and Action Plan. This comprehensive plan is intended to prevent future contamination of the ground water aquifer under the City, and to facilitate the identification and cleaning up of the contamination that now exists. The City and Bernalillo County have executed a Joint Powers Agreement for implementation of the Plan and have established a joint City/County Ground Water Protection Advisory Board. The Board is now guiding implementation, coordinating with Federal and State agencies for cleanup actions, and evaluating progress to-date and changes needed to the Plan.

Water Usage. The Water System, generally recognized as one of the most technologically advanced systems in the United States, serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During the past five Fiscal Years, the City has supplied to customers the following amounts of water from the Water System:

**City of Albuquerque**  
**Water Usage<sup>(1)</sup>**  
**1998-2002**

<u>Fiscal Year</u>	<u>Gallons Pumped (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
1998	36,056,000	31,388,656	87.06%
1999	36,603,000	32,564,811	88.97
2000	36,635,000	32,392,830	88.42
2001	36,055,000	32,774,731	90.90
2002	36,004,000	32,050,716	89.02

(1) The City distinguishes between gallons pumped and gallons billed. Gallons which are pumped but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered.

Source: City of Albuquerque, Public Works Department.

*Sewer System*

The Sewer System consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant located south of the City. The treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent chlorination and de-chlorination prior to discharge to the Rio Grande.

Treatment capacity is 76 MGD. Existing flows at the plant are about 54 MGD. The City has a fully operational industrial pretreatment program approved by the U.S. Environmental Protection Agency (“EPA”) that is being considered as a pilot program under the EPA’s XL Program. The City’s industrial pretreatment program received a first place national award from the EPA in 1999. The City’s wastewater effluent discharge has consistently met with rare exceptions all NPDES permit requirements. A new NPDES permit is expected to be drafted by the EPA in 2003.

Also located at the treatment plant is the City’s 2.2 mega-watt cogeneration facility. This facility supplies 40-50% of the treatment plant’s present electrical needs, along with providing heating of various buildings and sludge digesters. Annual savings in power costs and reduced natural gas consumption are estimated at approximately \$1,000,000 and \$250,000, respectively. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. Construction of a 4.4 MW expansion has been completed and is operational. The plant will be capable of producing 100% of its required electricity upon completion of the cogeneration facility expansion.

Beneficial reuse of sludge is accomplished by a combination of land application on 5000-acres of public-private range land (with respect to 85% of sludge produced) and co-composting with animal bedding and pulverized yard trimmings (with respect to 15% of sludge produced).

Disposal at a 660-acre dedicated land application site is a backstop alternative when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The possible beneficial reuse of the sludge to enhance landfill gas production at the City's landfill is also under study.

The Albuquerque Wastewater Utility Division operates a state-of-the-art environmental monitoring laboratory, providing analytical support for process control and regulatory compliance programs in drinking water, wastewater, groundwater, residuals management, storm water, surface water and the zoological park. The laboratory is nationally accredited by the American Association for Laboratory Accreditation for inorganic chemistry and microbiology testing.

#### *Management of the Water/Sewer System*

The Public Works Department of the City is responsible for the overall management and administration of the System. The present management and supervisory staff for the Public Works Department of the City is as follows:

**Charles T. Asbury, P.E.**, Director of Public Works. Mr. Asbury is the Director of the Public Works Department which consists of some 22 divisions, nearly 900 personnel, and an annual budget of approximately \$240 million. Mr. Asbury has more than 35 years of engineering experience, 30 years of which were as an owner and principal in a civil engineering consulting firm in Albuquerque. Mr. Asbury is a former member of the New Mexico House of Representatives and has served on a number of Boards and Commissions.

**Steve Bockemeier, P.E.**, Acting Finance Officer. Mr. Bockemeier has been employed with the City since 1984 and served in a number of capacities: Manager of the Wastewater Engineering Section at the Treatment Plant from 1984 to 1986; Senior Engineer with the Department's Utilities Planning Group from 1986 to 1991; and lead coordinator for water and wastewater CIP project programming and financing with the Finance Division since 1991. In August 2002, he also assumed the duties of Acting Manager of the Customer Services Division. Prior to coming to the City, Mr. Bockemeier was engaged as an engineering consultant in the private sector, and has over 31 years experience in the water and wastewater engineering field.

**Doug Dailey, P.E.**, Acting Manager, Wastewater Utility Division. Mr. Dailey has worked in the City's Water and Wastewater Utilities since 1985 starting as the Control Systems Engineer in the Wastewater Division and recently accepting an assignment as the Deputy Division Manager of the Wastewater Division. He has held progressively responsible positions within the engineering, information systems, operating and maintenance sections of both the Water and Wastewater Divisions. Prior to working for the Utilities, Mr. Dailey was a Plant Engineer Senior Grade with a major oil company responsible for a 70 MMCFD Natural Gas Processing Facility, and has a B.S. Degree in Chemical Engineering from New Mexico State University.

**Tom Shoemaker, P.E., MSCE, MBA** Acting Manager, Water Utility Division. Mr. Shoemaker has 28 years experience in management and engineering of water and wastewater



utilities. Prior to 17 years involvement in all aspects of the Albuquerque Utility System, he held posts of Utilities Director and General Manager at other utilities.

**John M. Stomp**, P.E., Manager, Water Resources Division. Mr. Stomp is responsible for the City's water resources program. Prior to employment with the City's Public Works Department, Mr. Stomp was employed as a Project Manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water issues in Albuquerque and throughout New Mexico for more than 10 years. He also has a Master's Degree in Environmental Engineering from the University of New Mexico.

*Water/Sewer System Financial Information*

Historical Financial Information. The table below compares revenues, expenses, and net revenues available for debt service over the past five Fiscal Years.

**City of Albuquerque  
Joint Water and Sewer System  
Historical Financial Information  
Fiscal Years 1998-2002  
(\$000)**

	Fiscal Year ended June 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total operating revenues	\$ 88,848	\$ 99,436	\$104,196	\$108,360	\$115,272
Non-operating revenues (expenses):					
Interest <sup>(1)</sup>	3,482	3,032	3,496	2,656	2,047
Expansion charges	9,363	11,968	10,780	10,909	11,909
Other	1,109	10	346	3,078	197
Gain (loss) on disposition of Property & Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total adjusted revenues	<u>102,802</u>	<u>114,446</u>	<u>118,818</u>	<u>125,003</u>	<u>129,425</u>
Total operating expenses (excluding interest expense)	95,948	100,906	100,107	100,286	100,496
Less:					
Payments in lieu of taxes	(3,691)	(4,126)	(4,102)	(4,310)	(4,643)
Depreciation	(40,411)	(42,205)	(41,670)	(37,070)	(39,355)
Amortization	<u>(1,724)</u>	<u>(1,604)</u>	<u>(1,221)</u>	<u>(1,091)</u>	<u>(1,142)</u>
Total adjusted operating expenses	<u>50,122</u>	<u>52,971</u>	<u>53,114</u>	<u>57,815</u>	<u>55,356</u>
Net revenues available for debt service	<u>\$ 52,680</u>	<u>\$ 61,475</u>	<u>\$ 65,704</u>	<u>\$ 67,187</u>	<u>\$ 74,069</u>

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Operating Revenue. The following table outlines the revenue from water and sewer charges and other operating revenue received by the City during Fiscal Years 1998 through 2002.

**City of Albuquerque  
Revenue from Water and Sewer Charges  
and Other Operating Revenue**

Fiscal Year	Revenue from Water Charges		Revenue From Sewer Charges	Other Operating Revenue <sup>(2)</sup>	Total Operating Revenue
	For General Operations	For AWRMS <sup>(1)</sup>			
1998	\$ 41,392,409	\$ 393,705	\$ 41,333,109	\$ 5,728,507	\$ 88,847,730
1999	45,515,854	3,610,515	43,605,325	6,704,614	99,436,308
2000	45,346,424	7,310,019	44,487,321	7,051,933	104,195,697
2001	46,504,223	9,954,245	44,898,231	6,966,656	108,323,355
2002	48,115,849	13,276,044	46,691,595	7,188,885	115,272,373

(1) These revenues are attributable to rate increases adopted by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (“AWRMS”). For more information on AWRMS and related rate increases approved by City Council, see “Water Supply - Water Supply Plan” under this caption.

(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Utility Expansion Charges. In order to fund expanded capacity of the System, all new customers of the System are currently charged one-time utility expansion charges (“UECs”) for water and sewer services. The charges are calculated by analyzing the average forecast of new customers to the System over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. Effective July 1, 1993, the State legislature adopted Senate Bill 361, referred to as the Development Fees Act, which authorized the imposition of utility expansion charges and provided for a method of calculation of such charges which is consistent with historical calculations by the City. However, under the Development Fees Act, the City was required to prepare a capital improvement plan and to calculate a maximum impact fee under the allowed methodologies of the Act, applicable to any impact fee imposed on or after July 1, 1995. The determination of water and sewer UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed as part of an approved 10-year plan, to provide water and sewer service. When UECs are charged to new customers, the charge is proportioned to reflect the capacity that user is requesting, depending on the size of service purchased by the customer. Larger sized service installations have greater use capacity, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The following table sets forth the current water and sewer utility expansion charges.

**City of Albuquerque  
Current Utility Expansion Charges**

<u>Service Size</u>	<u>Water Charge</u>	<u>Sewer Charge</u>
¾"	\$ 1,419	\$ 1,200
1"	2,526	2,134
1 ¼"	N/A	N/A
1 ½"	5,677	4,800
2"	10,090	8,533
3"	22,707	19,200
4"	40,361	34,133
6"	90,829	76,800
8" & over	\$161,477	\$136,534

During Fiscal Years 1998 through 2002, the City received the following revenue from the collection of the above-described utility expansion charges.

**City of Albuquerque  
Revenue from Utility Expansion Charges**

<u>Fiscal Year</u>	<u>Total City UEC Revenues</u>
1998	\$ 9,362,686
1999	11,967,761
2000	10,780,053
2001	10,908,556
2002	11,908,616

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

In 1984, the City adopted a Line Extension Policy pursuant to which it agrees with developers to allow for connection of their lines to the City's System under certain conditions which must be met by the developer. In October, 1998, the City entered an agreement with Westland Development Corporation ("Westland"), in conformance with the Line Extension Policy, for the construction of certain water and sewer facilities needed by Westland for development of certain property adjacent to the City. The agreement with Westland provides for Westland's construction of these facilities and for reimbursement by the City of Westland's construction costs through the collection of UECs paid to the City within and outside the Westland property served by the new facilities. Construction of these facilities is scheduled to begin during Fiscal Year 2004 and such facilities are expected to become operational in Fiscal Year 2005.

Additional Charges In Effect. The City also has the following variable charges in effect for all accounts to which the specific criteria for each charge apply:

**Water Commodity Charge:** Water usage metered or estimated is rate of \$1.169 per unit (1 unit = 100 cubic feet or 748 gallons).

**Water Conservation Charge:** Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. In May 2002, a two-tiered surcharge was implemented for usage exceeding 200% and 300% of the winter average water usage. The surcharge for usage exceeding 200% is 50% of the commodity rate, while the surcharge for usage exceeding 300% is 100% of the commodity rate. In July 2002, the two-tiered approach was suspended for residential class users, and the City reverted to \$0.21 per unit for usage exceeding 200% of the winter average usage. Also, for meter readings that are estimated, the surcharge is not applied. The two-tiered surcharge remains in effect for commercial and industrial users.

**Sewer Commodity Charge:** All wastewater discharged is charged at a rate of \$0.681 per unit based on either 90% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 90% of the actual water used if that amount is less.

#### *Rate Comparisons*

The City has attempted to keep rates at a competitive level compared to the surrounding southwest area. Based on a water and sewer rate survey completed by a private contractor, the City has been successful in this effort. Results from this survey are shown below for residential water and wastewater rates in other western cities. However, many factors influence water and sewer rates. Caution should be taken in drawing conclusions regarding operations in a particular community and comparisons between communities.

**Comparison of Water and Sewer Rates  
(as of January 2003)**

City	State	Cost of Water per Unit	Cost of Sewer Per Unit	Cost per Cubic Ft (Water)	Cost per Cubic Ft (Sewer)	Cost per Gallon (Water)	Cost per Gallon (Sewer)
<b>Albuquerque</b>	<b>NM</b>	<b>\$1.19</b>	<b>\$0.68</b>	<b>\$0.0119</b>	<b>\$0.0068</b>	<b>\$0.0016</b>	<b>\$0.0009</b>
Colorado Springs	CO	0.02	0.01	0.0152	0.0085	0.0020	0.0011
Dallas	TX	1.76	2.82	0.0131	0.0210	0.0018	0.0028
Denver	CO	1.58	N/A	0.0118	N/A	0.0016	N/A
El Paso	TX	0.85	0.98	0.0085	0.0098	0.0011	0.0013
Houston	TX	1.92	1.08	0.0143	0.0081	0.0019	0.0011
Los Angeles	CA	1.89	2.26	0.0189	0.0226	0.0025	0.0030
Lubbock	TX	1.48	1.24	0.0110	0.0093	0.0015	0.0012
Oklahoma City	OK	3.98	N/A	0.0186	N/A	0.0025	N/A
Phoenix	AZ	1.68	4.42	0.0168	0.0442	0.0022	0.0059
Portland	OR	1.63	4.46	0.0163	0.0446	0.0022	0.0060
Salt Lake City	UT	0.71	1.06	0.0071	0.0106	0.0009	0.0014
San Diego	CA	1.34	3.08	0.0134	0.0308	0.0018	0.0041
St. Louis	MO	1.05	N/A	0.0105	N/A	0.0014	N/A
Tucson	AZ	2.16	N/A	0.0161	N/A	0.0022	N/A
<b>Median</b>		<b>\$1.58</b>	<b>\$1.24</b>	<b>\$0.0134</b>	<b>\$0.0106</b>	<b>\$0.0018</b>	<b>\$0.0014</b>
<b>Average</b>		<b>\$1.54</b>	<b>\$2.01</b>	<b>\$0.0135</b>	<b>\$0.0196</b>	<b>\$0.0018</b>	<b>\$0.0026</b>

*Water/Sewer Billing and Collections*

All rates and charges are imposed by the City through a Water and Sewer Rate Ordinance. Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property in which the City is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The City performs all meter reading services in connection with the Water/Sewer System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. The City may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer's utility statement. A penalty of 1.5% per month may be imposed on any delinquent account.

The City's delinquency rate has typically been less than 1% but currently is less than 2.4% of annual revenues. The increase is due to one large customer which is disputing certain charges and has made no payment of the disputed charges. The City is working with that customer in an attempt to resolve the situation. Accounts with outstanding balances for more than 60 days are approximately 9.5% of the customer base.

### *Rates and Charges of the Water/Sewer System*

The City Council has mandated that the operation and maintenance of the Water/Sewer System be self-sustaining. Consistent with this statement of intent, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and sewer services. The City's bond ordinances authorizing issuance of joint water and sewer system bonds prohibit net revenues of the Water/Sewer System from being transferred to the General Fund or other funds of the City, except for repayment of operation and maintenance expenses owed by the Water/Sewer System to the City and taxes, payments in lieu of taxes, assessments and other municipal or government charges of the City lawfully levied upon the system.

The capital and operating budgets for the System are submitted to the City Council by March 1 of each year for the fiscal year which begins July 1. The City Council considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than 60 days after their receipt. Biennially, 10-year capital plans are also prepared and adopted. These plans are modified by the annual budget review process as immediate needs become clear.

The Federal Water Pollution Control Act Amendments of 1974 have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation's waters. As a result of this law, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the City has been granted funds by the Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, the following items have been incorporated into the sewer rate structure:

(i) Costs benefiting both water and sewer operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and sewer service.

(ii) Budgeted sewer categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for sewer rate-making purposes.

(iii) A "high-strength sewage treatment surcharge" is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

### *Current Levels of Base Rates and Charges*

Customers pay fixed rates for the City's water and sewer services as well as additional charges which vary depending on the volume of water used or discharged. See "Additional Charges in Effect" under this caption. Since May 1, 2002, residential customers have been paying fixed water rates (depending on service size) between \$6.28 and \$602.01, while commercial customers have been paying between \$11.00 and \$1,137.59. For sewer service as of such date, residential customers have been paying a fixed rate (depending on service size) between \$11.46 and \$1,196.63, while commercial customers have been paying between \$17.38 and \$1,869.77.

*Increases to Rates and Charges*

Increases to rates and charges of the System in order to meet the following percentage increases in operating revenues have been implemented or approved through increases in the appropriate rate or charge to accomplish a particular objective, during the past five Fiscal Years as described below:

**City of Albuquerque  
Approved Increases in Rates and Charges**

<u>Fiscal Year</u>	<u>% Increase</u>	
	<u>General Operations</u>	<u>AWRMS<sup>(1)</sup></u>
1999	5.0	4.7%
2000	--	4.5
2001	2.5	4.5
2002	2.5	4.5
2003	4.4	4.5

(1) Each effective May 1 of the respective years. These rates were approved by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (“AWRMS”) and affect water charges only. For more information on AWRMS, the related increases and revenues generated by such rate increases, see “Water Supply - Water Supply Plan” and “Water/Sewer System Financial Information - Operating Revenue” under this caption.  
Source: City of Albuquerque, Public Works Department.

The City anticipates that increases to rates and charges will be approved in future years to implement the additional AWRMS increments, to fund other capital needs and necessary operation and maintenance needs of the System. See “Capital Improvement Program for the Water/Sewer System” under this caption.

*Customer Information*

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 1998 through 2002. The majority of the customers of the City’s water services during Fiscal Year 2002 were residential and used a 3/4” meter size.

**City of Albuquerque  
History of Water Users by Meter Sizes**

<u>Meter Size</u>	<u>Average Number of Customers by Fiscal Year</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
¾”	115,818	118,730	121,854	124,523	128,192
1” and 1 ¼ “	20,290	20,076	19,899	19,692	19,153
1 ½ “	1,805	1,817	1,838	1,846	1,854
2”	1,740	1,769	1,822	1,868	1,892
3”	378	401	404	406	410
4”	228	23333	238	242	246
6”	54	55	55	55	55
8” and over	40	40	40	38	38
Total	<u>140,353</u>	<u>143,121</u>	<u>146,150</u>	<u>148,670</u>	<u>151,840</u>

Source: City of Albuquerque, Public Works Department.

**City of Albuquerque  
History of Water Users by Class**

<u>Class</u>	<u>Average Number of Customers by Fiscal Year</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Residential	126,111	128,738	131,618	134,014	137,081
Commercial	12,511	12,636	12,767	12,871	12,952
Institutional	1,590	1,618	1,638	1,660	1,683
Industrial	<u>141</u>	<u>129</u>	<u>127</u>	<u>125</u>	<u>124</u>
Total	<u>140,353</u>	<u>143,121</u>	<u>146,150</u>	<u>148,670</u>	<u>151,840</u>

Source: City of Albuquerque, Public Works Department.

According to records of the Public Works Department of the City, for Fiscal Years 1998 through 2002, the top ten retail customers of the System in the aggregate accounted for no more than 4.1% of the total billed consumption for the Water System, 3.2% of the total revenue of the Water System, 9.8% of the total billed consumption for the Sewer System and 4.4% of the total revenue of the Sewer System. Kirtland Air Force Base, the largest retail customer during each of such Fiscal Years, annually accounted for no more than 0.6% of the total billed consumption for the Water System, 0.4% of the total revenues of the Water System, 5.4% of the total billed consumption for the Sewer System and 2.3% of the total revenue of the Sewer System.

During Fiscal Year 2002, 56% of billed water consumption was residential, while only 31% was classified as commercial. The balance consisted of institutional users consuming 11% and industrial users at 2%.



**City of Albuquerque  
Selected Water/Sewer System Statistics  
(Calendar Year)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>Estimated Population</b> (Service Area)	479,454	485,569	491,723	497,916	503,371
<b>Number of Meters</b> Billed	141,775	144,502	147,605	149,883	153,245
<b>Estimated Persons Per Meter</b>	3.38	3.36	3.33	3.32	3.28
<b>Annual Pumpage</b> (1,000 Gallons)	25,810,000	36,841,000	35,627,000	37,101,000	35,750,000
<b>Annual Water Billed</b> (1,000 Gallons)	31,494,743	32,288,181	31,384,676	33,074,427	31,670,527
<b>Average Daily Pumpage</b> (Gallons)	98,109,589	100,934,247	97,608,219	101,646,575	97,945,205
<b>Peak Day Pumpage</b> (Gallons)	174,500,000	181,560,000	174,430,000	169,500,000	163,600,000
<b>Average Daily Production</b> <b>Per Meter</b> (Gallons)	692	698	661	678	639
<b>Well Pumping Capacity</b> (per 24 Hour Period)	293,000,000	293,000,000	293,000,000	294,000,000	294,000,000
<b>Storage Capacity</b> (Gallons)	206,600,000	206,600,000	211,000,000	211,000,000	211,000,000
<b>Number of Miles of Lines</b> <sup>(1)</sup>					
- Water	2,330	2,360	2,390	2,420	2,450
- Sewer	1,600	1,650	1,690	1,730	1,780

(1) Estimated.

Source: City of Albuquerque, Public Works Department.

*Capital Improvement Program for the Water/Sewer System*

The Public Works Department has prepared a Decade Plan Water and Wastewater capital improvement program for Fiscal Years 2002 through 2011 (the “program”), which was adopted by the City Council in April 2001. The program contemplates the following expenditure amounts for basic water and sewer system improvements (excluding North and South Valley grants and exclusive of the \$248 million implementation costs for the AWRMS):

**City of Albuquerque  
Estimated Program Expenditures**

<u>Fiscal Year</u>	<u>Estimated Program Expenditures</u>
2003	\$32.5 million
2004	32.8 million
2005	34.9 million
2006	35.4 million
2007	35.6 million
2008	35.7 million
2009	35.5 million
2010	35.6 million
2011	32.7 million

Source: City of Albuquerque, Public Works Department.

The program has been designed to meet basic utility needs and is balanced between water and wastewater, and between growth, rehabilitation and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and water system reliability, including significant efforts towards rebuilding existing deteriorated water and wastewater infrastructure.

Approximately 2% of the total program is related to federal, state and local regulations and policies. About 70% of the program is allocated towards infrastructure replacement, rehabilitation and renovation of deteriorated facilities. Another 10% of the program is allocated to systems reliability, which includes projects having components that do not increase capacity but improve systems reliability or remove performance deficiencies. Growth related projects account for 12% of the program but largely occur in the latter years of the program contingent on sustained growth demand requiring plant expansion. The remaining 6% of the program includes expenditures for special projects and for water resource and facility planning studies.

The program anticipates the expenditure of \$347 million over the next five years (including grant and loan expenditures, and costs for implementing the AWRMS). The program is anticipated to be financed by joint water and sewer revenue bonds, state loans, present cash balances and current earnings. Successful completion of the proposed capital improvement program contemplates periodic rate increases to support repayment of the revenue bonds and state revolving fund loans anticipated for financing the program.

### *Isleta Water Quality Standards Litigation*

In December 1992, the United States Environmental Protection Agency (“EPA”) approved the adoption by the Tribal Council of the Pueblo of Isleta (the “Pueblo”) of water quality standards (“WQS”) for all tribal water within the Pueblo. These WQS are significantly stricter than the current EPA-approved State designation of the Rio Grande. On October 21, 1993, the United States District Court for the District of New Mexico upheld the approval of the WQS by the EPA in *City of Albuquerque v. Carol M. Browner*, Administrator, United States Environmental Protection Agency, U.S. District Court for the District of New Mexico (No. 9382-M Civil). The City filed an appeal to the U.S. Court of Appeals for the Tenth Circuit seeking to challenge EPA’s approval of the WQS. The Tenth Circuit ruled against the City in October 1996 and concluded that the EPA has the discretion to impose the approved WQS. On April 4, 1997, the City filed a petition for certiorari in the United States Supreme Court which petition was denied in November, 1998.

Since the EPA approval of these WQS, the City has entered into an agreement with EPA, the State, and the Pueblo regarding the City’s National Pollution Discharge Elimination System (“NPDES”) permit. Pursuant to the agreement, the City has spent more than \$60 million for capital improvements to the City’s wastewater treatment plant. These improvements reduce the estimated cost of compliance by the City with the WQS if the EPA chooses in the future to fully impose such standards on the City. The City’s existing NPDES permit, which was set to expire June 1998, has been administratively continued by EPA.

Endangered Species Act-related lawsuits filed against EPA by the Forest Guardians, an environmental organization based in Santa Fe, New Mexico, have forced EPA to delay NPDES permitting actions for many cities in New Mexico, including Albuquerque. EPA has therefore been delayed in the process of determining what standards to include in the City’s renewal permit. New Total Maximum Daily Load (“TMDL”) studies with the State of New Mexico also have to be completed to enable EPA to pursue permit updates. The TMDL studies are planned for the next two years. In addition, changes are expected in the Pueblo of Isleta Water Quality Standards once the required revision process is completed, which is overdue by the Pueblo. While the EPA has not informed the City that it plans to impose existing (and outdated) Isleta WQS, there is no assurance that the EPA will not take such an action, which would result in the need for significant further improvements to the wastewater treatment plant, unless additional water treatment measures are taken by the System.

### **Refuse Removal and Disposal System**

The City operates its Refuse Removal and Disposal System (the “Refuse System”) through its Solid Waste Management Department. The City has no competitors for refuse removal and disposal services within the City limits. The City collects all residential refuse and imposes a fee on each residential unit. Commercial refuse service is provided to all commercial users at a set fee, however, businesses may haul self-generated refuse if they obtain a City permit to do so. Although businesses may haul self-generated refuse outside of the City limits to landfills which are not operated by the City, the City does not consider that this has a material effect on the City’s landfill operations.

### *Landfills*

The City uses a landfill site, which has been registered with State and federal authorities since May 1990. The permit for the City's Cerro Colorado landfill allows only licensed commercial haulers to dispose of solid waste at the landfill site. Residents are not allowed to haul waste to the landfill and, instead, must use the convenience centers described below. If current waste disposal operations continue unchanged, the lifetime of the landfill is estimated to be 26 to 50 years. The landfill presently meets or exceeds all federal and state regulations. However, the City is required to install a methane gas collection system for the first three cells of the Cerro Colorado landfill, estimated to cost \$2 million, by June 2004 (although the City may elect to complete the installation prior to such deadline). The City issued \$3,385,000 in Refuse Removal and Disposal Improvement Revenue Bonds, Series 2001A to finance this methane gas collection system and other landfill remediation in May 2001. In July 2000, the Cerro Colorado landfill was selected by the Solid Waste Association of North America to receive the 2000 SWANA Landfill Excellence Silver Award. This award is presented annually to recognize outstanding performance in operation, design, efficiency and an overall integrated solid waste management system.

### *Collection System*

Historically, the residential collection system consisted of one-man crews using side-loading packer vehicles for regular trash routes and one-man crews for the collection of recyclables at the curbside in disposable containers once a week. Residential customers receive one coupon every year, which can be redeemed for 30 clear bags for recyclables. The monthly fee includes the cost of the bags. The regular work schedule for residential collection is five eight-hour days a week. Residential route equipment consists of 12 side-loading collection vehicles and 50 automated trucks, which include about 10% of the total as "back-up" vehicles.

Proceeds from the sale of revenue bonds issued in 1992 were used, in part, to purchase an automated system for the removal of residential solid waste. Each household is provided with a 95-gallon container on wheels. The container is wheeled to the curb by the resident on his/her weekly collection day and is serviced by a fully automated collection vehicle, which utilizes a hydraulic arm to grab, lift and empty the container. The automated collection system was fully implemented as of December 1997 and was intended to increase productivity and reduce injuries, thereby reducing workers' compensation claims.

The City does not handle refuse collection for Albuquerque Public Schools or the University of New Mexico, two of the region's major employers, although those entities do utilize the City's landfill for a fee.

The City has a hazardous waste awareness program, a household hazardous waste collection program, and a landfill monitoring and remediation program, which are funded from Refuse System revenues. The City does not accept hazardous, toxic or asbestos waste in its landfill. Only biomedical waste that has been previously incinerated is accepted. Both City and State regulatory agencies have established policies to strictly monitor these matters.

The commercial collection system is containerized to the maximum extent possible. Containers varying in size from two cubic yards to eight cubic yards are mechanically dumped into packer trucks. Large generators of refuse use roll-off containers. Collection frequency and container size is determined by the needs of the customer. Commercial equipment includes 6 rear packers, 32 roll-offs and 44 front-loading trucks.

#### *Convenience Centers*

The City has constructed three convenience centers for public use, which accept residential haul-your-own waste and small commercial haulers with a one-ton or less sized vehicle. The solid waste brought to the convenience centers is collected in large roll-off containers and 120-cubic-yard trailers and hauled to the Cerro Colorado landfill by the City as part of the convenience center's operations. The tonnage collected at the convenience centers represents approximately 12% of the total annual tonnage disposed of at the Cerro Colorado landfill. The current fee at the convenience centers is \$3.35 per load for individuals and \$8.40 per load for small commercial haulers, not including tax.

#### *Recycling Programs*

The City has established an office of recycling. A Citywide residential curbside recycling program for aluminum, metals, paper and plastic was implemented in December 1992. The City collects commingled residential recyclables weekly on regular collection days in a separate clear bag. The City of Albuquerque has implemented curbside recycling to every other week. The City utilizes 6 routes and 6 manual side-loader collection vehicles for these collections in order to reduce the capital investment associated with the curbside-recycling program. The recyclables collected from these programs are processed and marketed from a City-owned and operated intermediate processing facility. The level of projected revenues from the sale of recyclables does not cover the cost of providing the service. However, the level of projected revenues from the sale of recyclables and the \$1.84 per resident charge for recycling services covers approximately 98% of the cost of providing the service.

#### *Weeds, Litter and Graffiti Removal and Community Support*

As part of the Solid Waste Management Department's overall mission of protecting and preserving the environment the Department is also responsible for the removal of weeds, litter and graffiti from the City's major thoroughfares and public properties. Effective July 1, 1996, the Clean City Program was established within the Solid Waste Management Department to manage these responsibilities. Certain revenues, such as revenues resulting from charges imposed on and received from property owners or vandals, are projected to be produced from these various removal responsibilities but are expected by the City to be at a minimal level compared to budgeted expenses for such responsibilities. The Community Service section of the Clean City Division encourages neighborhood associations to participate in Keep Albuquerque Beautiful, a program funded by moneys from the State, through neighborhood clean-ups. The Community Service section distributes funds from Keep Albuquerque Beautiful to provide supplies and hire youths and private companies and associations for the clean-ups.

**Mr. Clarence V. Lithgow** is the Director of Solid Waste Management Department for the City and was appointed by Mayor Martin Chavez in 2002. Mr. Lithgow brings to the city over 30 years of public sector service and experience. Prior to joining the Mayor’s Staff, Mr. Lithgow held various key positions in state and city governments. He began his professional career as Bureau Chief for the NM Department of Human Services, then became Director of the Local Government Division of the Department of Finance and Administration, and finally, Cabinet Secretary for the NM General Services Department. He also held the Chief Administrative Officer position for the City of Albuquerque under Mayor Ken Schultz. Mr. Lithgow holds a bachelors degree in business administration and has served as public servant in a variety of civic organizations and commissions.

**Mr. Demetrio “Tito” Montoya** is the Superintendent of the Central Services Division and has been with the City for 17 years. Prior to his appointment, Mr. Montoya served as Section Manager of Research and Planning, which oversaw all process and quality improvements within the Solid Waste Management Department. Mr. Montoya also served with the Office of Neighborhood Coordination and Office of Senior Affairs in managing programs with Federal, State and City matching funds.

**Ms. Regina Cappello** has been the Management Analyst for the Solid Waste Management Department for the last four years. Ms. Cappello has been employed with the City for 25 years in various financial positions. Ms. Cappello has work experience with enterprise and general funds. Ms. Cappello has served as financial accountant for Parks and Recreation, the City’s Convention Center and the Public Works Department. Ms. Cappello started her career at the Solid Waste Management Department in 1978.

*Refuse System Financial Information*

Operational Data and Tonnage History for the Refuse System. Shown below are the operational data and solid waste tonnage history for the Refuse System for Fiscal Years 1992 through 2001.

**City of Albuquerque  
Refuse System Operational Data  
Fiscal Years 1993-2002**

Fiscal Year	Collections				Refuse Employees	Collection Vehicles
	Residential/ Recycling Units	Routes	Commercial Units	Routes		
1993	114,400	48	12,100	47	342	111
1994	116,581	51	13,564	47	355	129
1995	117,903	51	13,884	49	366	129
1996	121,018	50	13,904	50	373	129
1997	124,960	50	14,305	50	408	127
1998	131,357	50	14,662	51	414	128
1999	135,415	51	14,700	55	412	140
2000	138,726	52	14,710	54	410	137
2001	141,300	52	14,710	56	409	137
2002	141,500	52	14,720	56	409	137

Source: City of Albuquerque, Solid Waste Management Department.

**City of Albuquerque  
Solid Waste Tonnage History  
Fiscal Years 1993-2002**

<u>Fiscal Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Private Haul To Landfill/</u>	<u>Total Department</u>
1993	190,543	154,971	34,084	379,598
1994	193,871	156,805	36,008	386,684
1995	208,366	169,373	193,491 <sup>(1)</sup>	571,230 <sup>(1)</sup>
1996	200,564	169,636	273,580 <sup>(1)</sup>	643,780 <sup>(1)</sup>
1997	220,729	183,218	69,756	473,703
1998	208,551	132,687	96,297	437,535
1999	225,472	139,286	73,836	438,594
2000	212,555	170,750	112,523	495,828
2001	220,326	190,004	91,446	501,776
2002	216,549	161,014	91,019	468,582

(1) Includes one-time contract to accept waste from old landfill site in connection with the Sunport Boulevard renovation.  
Source: City of Albuquerque, Solid Waste Management Department.

**Budget, Rates and Charges.** The capital and operating budgets for the Refuse System are submitted to the Council by March 1 of each year for the fiscal year, which begins July 1. The Council considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next Fiscal Year no later than 60 days after their receipt. Biannually, ten-year capital plans are also prepared and adopted. These plans are modified by the annual budget process as immediate needs become clear. The current ten-year capital plan (2001-2010) calls for expenditures of approximately \$25 million financed with a combination of operating cash and refuse revenue bonds.

The rates for residential collection, commercial collection and the use of the sanitary landfill are established from time to time by the City by ordinance and are not subject to approval by any other regulatory body. The current rate for residential collection is \$9.94 per month. Commercial rates vary considerably based on the size of container and frequency of service. Current landfill fees by tonnage (not including tax) are \$6.60 for up to 500 pounds, \$13.20 for 500 to 1,000 pounds, \$19.80 for 1,001 to 1,500 pounds, and \$26.40 for 1,500 to 2,000 pounds. Other rates apply for use of the landfill for certain categories of waste such as tires and contaminated soil. The current fee at the convenience centers is \$3.35 per load for individuals and \$8.40 per load for small commercial haulers, not including tax.

The following tables present a limited summary of the history of refuse service rate adjustments implemented by the City showing the effective date of such adjustments. The Department increased residential and commercial rates by \$0.03 effective June 30, 2001. The Department expects that additional increases may be needed in order to generate revenues sufficient to maintain the Refuse System's ongoing working capital program (not including the methane gas collection system and landfill remediation financed with proceeds of the Refuse Removal and Disposal Improvement Revenue Bonds, Series 2001A and existing Department funds) after meeting the coverage required for the operation and maintenance expenses and debt service requirements of the City's Refuse System obligations. See "Historical Financial Information" under this caption.

**City of Albuquerque  
Refuse System  
Residential Collection Fee Adjustments**

<u>Month</u>	<u>Year</u>	<u>Monthly Rate</u>	<u>% Increase</u>
June	1982	\$4.95	23.8%
June	1983	5.30	7.1
August	1984	5.50	3.8
April	1987	6.60	20.0
April	1988	6.95	5.3
June	1990	7.26	3.0
June	1991	7.48	4.5
June	1992	8.34	11.5
June	1994	8.76	5.0
June	1995	9.20	5.0
June	1996	9.02	-1.9
June	1997	9.02	0.0
June	1998	9.38	4.0
June	1999	9.38	0.0
June	2000	9.91	5.7
June	2001	9.94	0.0
June	2002	9.94	0.0

Source: City of Albuquerque, Solid Waste Management Department.

**Commercial Collection Fee Adjustments<sup>(1)</sup>**

<u>Month</u>	<u>Year</u>	<u>Monthly Rate/Ton</u>	<u>% Increase</u>
September	1982	\$44.41	60.0%
March	1984	51.07	15.0
October	1984	53.63	5.0
April	1988	60.60	13.0
June	1990	63.63	5.0
June	1991	64.58	1.5
June	1992	67.15	4.0
June	1994	70.51	5.0
June	1995	74.04	5.0
June	1996	74.04	0.0
June	1997	74.04	0.0
June	1998	77.00	4.0
June	1999	77.00	0.0
June	2000	81.00	5.7
June	2001	81.27	0.0
June	2002	81.27	0.0

(1) For purposes of showing the overall trends of increases in commercial rates only, the "Rate per Ton" set forth above has been calculated by dividing the total of all commercial collection fees in the indicated year by the total commercial tons collected in such year. "Rate per Ton" does not correlate with any particular commercial rate; commercial rates vary considerably as they are based upon frequency of service and size of container.

Source: City of Albuquerque, Solid Waste Management Department.



### Landfill Fee Adjustments

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
May	1982	\$4.50/ton	28.6%
May	1983	\$6.50/ton	44.4
March	1984	\$2.30/500 lbs (\$9.20/ton)	46.2
October	1984	\$3.15/500 lbs (\$12.60/ton)	32.6
June	1990	\$3.50/500 lbs (\$14.00/ton)	11.1
June	1991	\$3.75/500 lbs (\$15.00/ton)	7.1
June	1994	\$40.00/ton (tires)	N/A
June	1995	\$75.00/ton (contaminated soil)	200.0
June	1996	\$6.25/500 lbs (\$25.00/ton)	66.7
June	1996	\$75.00/ton (tires)	87.5
June	1997	\$6.25/500 lbs \$25.00/ton)	0.0
June	1997	\$75.00/ton (tires)	0.0
June	1998	\$6.25/500 lbs \$25.00/ton)	0.0
June	1998	\$75.00/ton (tires)	0.0
October	1998	\$100.00/ton (tires)	33.3
June	1999	\$100.00/ton (tires)	0.0
June	2000	\$125.00/ton (tires)	25.0
June	2001	\$105.65/ton (tires)	15.0
June	2002	\$105.65/ton (tires)	0.0

Source: City of Albuquerque, Solid Waste Management Department.

### Convenience Center Fee Adjustments

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	1990	\$2.00/load (residential) \$6.00 load (commercial)	N/A
June	1994	\$3.00/load (residential) \$8.00/load (commercial)	50.0% 33.3%
June	2000	\$3.15/load (residential) \$8.28/load (commercial)	5.7% 5.7%
June	2001	\$3.335/load (residential) \$8.40/load (commercial)	10.0% 10.0%
June	2002	\$3.335/load (residential) \$8.40/load (commercial)	0.0% 0.0%

Source: City of Albuquerque, Solid Waste Management Department.

**Refuse System Billing and Collections.** The City's Solid Waste Management Department, which operates the Refuse System, processes the refuse billing through the Public Works Department Utility Billing System. The system bills water, sewer and refuse together on a monthly basis. The bill indicates whether the account is 30, 60 or 90 days delinquent. After 90 days, the customer receives a 15-day trial shut-off notice. If no response is received by the City from the customer, the City for health and safety reasons will continue to collect the customer's refuse but has the authority to shut off the customer's water and to leave a notice on the door.

When partial payments are received, these payments are applied to the customer's total account balance and not prorated to the individual charges for water, sewer or refuse. Accounts receivable balances for water, sewer and refuse are calculated on a monthly basis based on the pro rata share of each utility's billings to total billings for the month. The City applies a 1.5% per month penalty to all delinquent bills. Delinquencies have averaged less than 1% of annual operating revenues over the last five years and write-offs average less than one-tenth of one percent.

Under most circumstances, at any time a bill is delinquent, a lien on the customer's property can be filed. The lien upon property served by the Refuse System for unpaid charges is limited in the case of leased properties. If the owner of property leased to another files a written disclaimer of responsibility with the City, the City may not place a lien against that property for unpaid charges. The City does, however, have a right to demand a deposit from the tenant of the property served.

The Solid Waste Management Department reimburses the City's joint water and sewer fund for utility billing expenses incurred on behalf of the Refuse System.

The Solid Waste Management Department collects refuse-only accounts and landfill accounts. On delinquent landfill charge accounts, the customer is required to pay on a cash basis. The customer is also given an option of a "promise payment," which is a set amount each month to catch up the customer's arrears account plus the current month's charges.

Historical Financial Information. The following table compares revenues and expenses over the past five Fiscal Years. For detailed financial information for the Refuse System, see the City's Comprehensive Annual Financial Reports.

**City of Albuquerque  
Refuse Removal and Disposal System  
Historical Financial Information  
Fiscal Years 1998-2002  
(\$000)**

	Fiscal Year ended June 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total operating revenues	\$31,392	\$33,436	\$35,587	\$38,219	\$39,233
Non-operating revenues (expenses):					
Interest	879	982	865	781	556
Other	16	9	55	0	12
Gain (loss) on disposition of property & equipment	(330)	44	(70)	(3)	(61)
Transfers in/(out)	<u>(394)</u>	<u>(512)</u>	<u>(495)</u>	<u>(478)</u>	<u>(539)</u>
Total adjusted revenues	<u>\$32,223</u>	<u>\$33,959</u>	<u>\$35,943</u>	<u>\$38,519</u>	<u>\$39,191</u>
Total operating expenses (excluding interest expense)	\$30,176	\$31,058	\$32,206	\$33,706	\$35,035
Less:					
Payments in lieu of taxes	(412)	(432)	(411)	(477)	(485)
Depreciation	(3,792)	(4,254)	(4,459)	(4,654)	(4,693)
Amortization	(150)	(111)	(110)	(110)	(219)
Total adjusted operating expenses	<u>\$25,822</u>	<u>\$26,261</u>	<u>\$27,226</u>	<u>\$28,465</u>	<u>\$29,638</u>
Net revenues available for debt service	<u><b>\$ 6,401</b></u>	<u><b>\$ 7,698</b></u>	<u><b>\$ 8,716</b></u>	<u><b>\$10,054</b></u>	<u><b>\$ 9,553</b></u>

Source: City of Albuquerque Comprehensive Annual Financial Reports.

**Capital Improvement Projects.** The City Council has implemented a limitation on all Solid Waste Department Capital Improvement Projects spending. The Solid Waste Department Capital Improvement Projects debt service payment cannot exceed 11% of the total operating expenses.

## **Golf Courses**

### *Location and Facilities of the Golf Courses*

The City currently owns and operates four municipal golf courses: Arroyo del Oso, Ladera, Los Altos and Puerto del Sol (collectively, the "Golf Courses"), as more particularly described below.

**Arroyo del Oso Golf Course.** Opened in 1965, Arroyo del Oso Golf Course is a 27-hole facility, with a regulation 18-hole course designed by Arthur Jack Snyder and a challenging 9-hole course (opened in 1989) designed by Richard Phelps.

Arroyo del Oso Golf Course, meandering through Bear Canyon waterway, located on 250 acres of City-owned property in north-central Albuquerque, offers two putting greens, a chipping

green and a large driving range. Arroyo del Oso Golf Course has received several awards, including being ranked in the top 200 United States golf courses and receiving 3V2 stars as one of Golf Digest magazines “Places to Play” for the year 2000.

Arroyo del Oso’s 8,601 square foot pro shop has an attached cart barn and overlooks an outdoor eating area, a practice facility and the back nine. Also connected to the pro shop is a meeting room that seats 45 and a small food preparation area. Arroyo del Oso also offers a full-service restaurant cafe with a drive-up window and a 2,800 square foot gazebo used for tournament scoring and food service.

Ladera Golf Course. Opened in April of 1980, Ladera Golf Course is a 27-hole facility designed by Richard Phelps. Ladera’s regulation 18 hole course is the longest of the Golf Courses, playing over 7,100 yards. In addition, Ladera offers a challenging par-31 executive 9-hole course.

Ladera Golf Course, with views of volcanoes and water on the finishing hole of each nine, is located on 140 acres owned by the City. The City acquired this property from the Albuquerque Metropolitan Arroyo Flood Control Authority pursuant to a special warranty deed providing for its use by the City solely and exclusively for public parks and recreational purposes. Located on the City’s west side just north of Interstate 40, Ladera Golf Course is bordered by Ladera Drive on its south and east sides and by residential housing on the north and west.

New pro shop, restaurant and banquet facilities were constructed at Ladera in September in 2001. These buildings now house a 2,761 square foot pro shop and a 2,400 square foot enclosed cart storage area. An adjacent but separate 8,651 square foot building supplies the food and beverage services and includes a 65-seat restaurant and banquet facilities that can accommodate 244 guests inside and over 100 additional guests on the two exterior patios. The kitchen area separates the restaurant from the banquet room and is large enough to service both areas simultaneously. The snack bar and open air cart barn are currently housed in a 4,448 square foot building with 500 square feet of eating area outside and a 2,400 square foot gazebo with scoreboard used for tournaments.

Los Altos Golf Course. Opened in May of 1960, Los Altos Golf Course is a 27-hole facility designed by Bob Baldock. This regulation 18-hole course, playing 6,534 yards from the back tees, offers wide fairways, level terrain, large mature trees and strategic bunkering. In addition, Los Altos’ par 29 executive course is great for beginners and a good place to practice one’s short game.

Los Altos Golf Course, with views of the Sandia Mountains, is located on 170 acres of City-owned property, bordered by Interstate 40 to the north, Wyoming Boulevard to the west, and residential areas to the south and east. Just across Interstate 40 from the golf course is Los Altos Park, connected to the golf course by a pedestrian bridge and bike path.

The Los Altos pro shop, club house, full-service snack bar and unheated storage area are currently housed in the two-story, 5,385 square foot main building. A 1,425 square foot detached cart facility is located west of this main building and putting green. In addition, a 1,600

square foot covered gazebo, used for tournament scoring and eating area, is located east of the main building and adjacent to the chipping green.

Puerto del Sol Golf Course. Puerto del Sol Golf Course, originally built as a pitch and putt golf course by a private individual, was dedicated as a public golf course on October 30, 1970. The course was later redesigned by Arthur Jack Snyder and was reopened as a 9-hole par 35 facility on January 28, 1978. Puerto del Sol Golf Course is located in south-central Albuquerque near the Albuquerque International Sunport on 75 acres owned by the City. Pursuant to requirements of the Federal Aviation Administration (“FAA”), 20 acres of this property purchased with an FAA grant is leased by the Golf Management Division of the City’s Parks and Recreation Department from the Department of Aviation for \$24,000 per year (as adjusted every five years in accordance with the appraised value of such property). The lease renews annually unless terminated by either party on June 30 of any year by giving notice no later than March 31 of such year. The FAA also requires that the 20 acres leased from the Department of Aviation remain an open land area with no large structures.

Puerto del Sol Golf Course, which has been ranked in the top 50 of United States 9-hole courses, offers a practice facility with over 3 acres of natural teeing area, multiple range targets and a 15,000 square foot putting green, all of which are lighted and open until 10:30 p.m., Memorial Day through Labor Day. The Puerto del Sol pro shop, snack bar and cart storage area are housed in a 3,761 square foot building.

*Market and Usage*

All four Golf Courses are open year round, only closing for Christmas Day and severely inclement weather. According to the Water Conservation Division of the City’s Public Works Department, the City receives an average of 8.5 inches of precipitation each year, nearly three inches of this representing rainfall in just a few days of July and August. In the rare event that significant snow does accumulate, it generally melts within two days.

The majority of rounds are played by local residents, with approximately 3% of play coming from tourism and outside tournaments. The table below sets forth the estimated number of nine- and eighteen-hole rounds played at each Golf Course over the past five fiscal years.

**Rounds Played at City of Albuquerque Golf Courses  
Fiscal Years 1998-2002**

<u>Golf Course</u>	<u>1998</u>	<u>1999</u>	<u>% Change</u>	<u>2000</u>	<u>% Change</u>	<u>2001</u>	<u>% Change</u>	<u>2002</u>	<u>% Change</u>
Arroyo Del Oso	140,972	137,383	(2.54)%	141,839	3.24%	127,274	(10.27)%	124,713	(2.01)%
Ladera	86,850	91,894	5.81%	91,849	0.00%	78,286	(14.77)%	78,636	0.00%
Los Altos	99,898	99,812	0.00%	105,273	5.47%	96,054	(8.76)%	96,532	0.00%
Puerto Del Sol	63,450	61,340	(3.32)%	62,821	2.41%	57,068	(9.16)%	58,905	3.22%

Source: City of Albuquerque, Parks and Recreation Department.

The present management of the Parks and Recreation Department of the City, including the Golf Management Division, is as follows:

**John C. King, Division Manager, Golf Management.** Mr. King's 10-year experience includes increasingly responsible experience in the golf course industry, including six years of management and administrative responsibility. His possession of a New Mexico Pesticide Applicators License, along with his education in engineering, business management, biology and mathematics is a valuable resource to the Golf Management Division. In addition, he has attained various training and certificates of completion from the Golf Course Superintendents Association of America, and is on track to become a Certified Golf Course Superintendent.

**Blanca B. Hise, Director, Parks & Recreation Department.** Mrs. Hise has served as Director of the Parks and Recreation Department since 1997 and was director of Department of Senior Affairs from 1994 to 1997. Prior to assuming that position, she served as Public Information Officer for Mayor Martin I. Chavez. Mrs. Hise has Bachelor's and Master's Degree from the University of New Mexico, and was nominated Business Woman of the Year by the Duke City Business Women in 1983.

**Gary Lee Young, Finance Manager, Parks & Recreation Department.** Mr. Young has been with the City of Albuquerque for 20 years, and has been Finance Manager for the Parks & Recreation Department for 10 years. Mr. Young has a Bachelor's of Accountancy degree from New Mexico State University, and earned an MBA in Finance from Webster University in 1989.

All four golf courses are maintained by the City's Golf Management Division. The City has contracted with certain third parties (collectively, the "Concessionaires") to manage the pro shop operations, concessions and certain other operations at each Golf Course. New Mexico Golf, Ltd., a New Mexico corporation, has operated the pro shop and concessions at Arroyo del Oso and Puerto del Sol since their openings; the current contract expires December 31, 2008. New Mexico Golf, Ltd. also holds the concessions contract at Marty Sanchez - Links de Santa Fe. Los Altos Golf Course Concessions, Inc., a New Mexico corporation, has operated the pro shop and concessions at Los Altos Golf Courses since its opening in 1960; the current contract expires December 31, 2004. Westside Golf, Inc., a New Mexico corporation, has operated the pro shop and concessions at Ladera Golf Course since 1995; the current contract expires December 31, 2005. Sam Zimerly, president of Westside Golf, Inc., was the Director of Golf in Los Alamos, New Mexico for 25 years and was the Director at Paradise Hills Golf Course in Rio Rancho, New Mexico for two years.

Pursuant to their respective agreements with the City, the Concessionaires are obligated to operate the pro shop and food service areas (including the provision of staff), collect greens fees on behalf of the City, and prepare daily cash reports and annual audits. In exchange for the exclusive right to such operations at the Golf Courses, Concessionaires pay to the City a percentage of all gross receipts received as a result of such operations (which percentage varies among the Golf Courses), and guarantee a minimum annual payment to the City. The Concessionaires and the City each have the right to terminate the agreements for cause upon 30 days' notice.

*Golf Course Financial Information*

Historical Financial Information. The table below compares revenues, expenses, and amounts available for debt service over the past five Fiscal Years.

**City of Albuquerque - Golf Course  
Historical Financial Information - Fiscal Years 1998-2002  
(\$000)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>% INCREASE (DECREASE) BETWEEN 1998 &amp; 2002</u>
<b><u>Operating Revenues</u></b>						
Charges for Services <sup>(1)</sup>	\$3,611,890	\$3,758,078	\$3,897,078	\$3,706,698	\$3,981,145	10.22%
<b><u>Operating Expenses</u></b>						
Salaries and Fringe Benefits	\$1,616,386	\$1,668,875	\$1,666,148	\$1,739,798	\$1,828,129	13.10%
Professional Services	5,847	14,013	21,852	35,728	1,598	(72.67)%
Utilities	515,177	641,946	727,181	668,204	777,212	50.86%
Supplies	77,538	65,225	60,429	25,718	40,626	(47.61)%
Travel	1,295	3,159	2,223	2,453	2,580	99.23%
Fuel, Repairs and Maintenance	549,713	477,527	430,072	476,611	412,404	(24.98)%
Contractual Services	22,482	16,666	41,933	94,569	73,787	328.20%
Indirect Overhead	303,018	315,787	377,967	430,393	484,993	60.05%
Other Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
Depreciation	360,435	371,479	404,492	422,291	439,817	22.02%
Payments in Lieu of Taxes	45,128	49,369	45,303	47,997	<u>0</u>	(100.00)%
Total Operating Expenses	<u>\$3,497,019</u>	<u>\$3,624,046</u>	<u>\$3,777,600</u>	<u>\$3,943,762</u>	<u>\$4,061,146</u>	<u>16.13%</u>
Operating Income	114,871	134,160	119,478	(237,064)	(80,001)	(169.64)%
<b><u>Non-Operating Revenues</u></b>						
<b><u>Expenses</u></b>						
Interest on Investments	\$ 69,131	\$ 48,737	\$ 57,841	\$ 179,422	\$ 78,319	13.29%
Bond Issue Costs (Amortization)	0	0	0	0	(16,658)	(100.00)%
Gain (Loss) on Sale of Property	4,942	5,124	(15,135)	(24,865)	0	(100.00)%
Interest Expense	(24,140)	0	0	(60,104)	(54,315)	(125.00)%
Other	40,629	51,670	51,720	58,711	43,965	8.21%
Total Non-Operating Revenue	<u>\$ 90,562</u>	<u>\$ 105,531</u>	<u>\$ 94,426</u>	<u>\$ 153,164</u>	<u>\$ 51,311</u>	<u>(43.34)%</u>
<b>Income (Loss) Before Transfers</b>	205,433	239,691	213,904	(83,900)	(28,690)	(113.97)%
Operating Transfers Out	0	0	0	0	(50,902)	100.00%
<b>Change in Net Assets</b>	<u>\$ 205,433</u>	<u>\$ 239,691</u>	<u>\$ 213,904</u>	<u>\$ (83,900)</u>	<u>\$ (79,592)</u>	<u>(138.74)%</u>
<b>Amount Available for Debt Service</b>						
Net Income	\$ 205,433	\$ 239,691	\$ 213,904	\$ (83,900)	\$ (79,592)	(138.74)%
Add: Depreciation	360,435	371,479	404,492	422,291	439,817	22.02%
Interest Expense	24,140	0	0	60,104	54,315	225.00%
Payment in Lieu of Taxes	45,128	49,369	45,303	47,997	50,902	12.79%
Amortization	0	0	0	0	16,658	100.00%
Change in Market Value of Investments	0	0	0	0	7,214	100.00%
Less Gain (Loss) on Sale of Assets	<u>(4,942)</u>	<u>(5,124)</u>	<u>15,135</u>	<u>24,865</u>	<u>0</u>	<u>100.00%</u>
<b>Amount Available for Debt Service</b>	<u>\$ 630,194</u>	<u>\$ 655,415</u>	<u>\$ 678,834</u>	<u>\$ 471,357</u>	<u>\$ 489,314</u>	<u>(26.14)%</u>

(1) Charges for Services are comprised of revenues from greens fees and concessions. See "-Fee Structure and Revenues."  
Source: City of Albuquerque, Parks and Recreation Department.

Fee Structure and Revenues. Revenues of the Golf Courses consist primarily of green fees and concessions. Regular fees for 18 holes at all Golf Courses are \$17.00 for weekdays, \$18.25 for weekends (including Fridays) and holidays and \$21.75 for tournaments. These fees, effective March 1, 2002, represent a rate increase of \$.75 on weekdays, \$1.00 on weekends, and \$1.40 for tournaments. This was the first rate increase at the Golf Courses since July 1, 2000. The City has a five-year plan in place which calls for regular nominal rate increases at the Golf Courses to provide funds for increases in personnel and other expenses. These increases are evaluated annually. The Golf Courses also offer reduced rates for seniors, juniors and starlite play, as well as a variety of annual passes.

Golf Course management will continue to monitor expenditures as compared to revenues and work toward lowering expenses when possible in order to meet revenue expectations.

The table below sets forth revenues for the Golf Courses for the past five fiscal years.

**City of Albuquerque Golf Course Revenues  
Fiscal Years 1998-2002**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b><u>Greens Fees</u></b>					
Los Altos	\$ 754,087	\$ 802,946	\$ 865,867	\$ 835,022	\$ 898,383
Arroyo	1,197,110	1,2286,897	1,299,792	1,262,684	1,321,539
Puerto	412,799	430,726	457,737	446,242	504,878
Ladera	786,779	810,797	810,743	726,060	804,984
Annual Passes	255,618	224,845	226,767	204,981	189,770
<i>Total</i>	<u>\$3,406,393</u>	<u>\$3,556,211</u>	<u>\$3,660,906</u>	<u>\$3,474,989</u>	<u>\$3,719,554</u>
<b><u>Concessions</u></b>					
Los Altos	\$ 32,088	\$ 37,535	\$ 50,797	\$ 51,020	\$ 62,457
Arroyo	117,720	114,173	131,737	133,893	136,062
Puerto	13,482	11,150	12,534	12,190	14,844
Ladera	42,207	39,137	41,104	34,606	48,228
<i>Total</i>	<u>\$ 205,497</u>	<u>\$ 201,995</u>	<u>\$ 236,172</u>	<u>\$ 231,709</u>	<u>\$ 261,591</u>
<b><u>Total Greens Fees and Concessions</u></b>					
	<u>\$3,611,890</u>	<u>\$3,758,206</u>	<u>\$3,897,078</u>	<u>\$3,706,698</u>	<u>\$3,981,145</u>
<b><u>Other Revenues</u></b>					
Interest	\$ 69,131	\$ 48,737	\$ 57,841	\$ 137,534	\$ 78,319
Rentals	24,000	32,000	30,000	32,820	22,000
Misc.	21,571	24,794	21,720	25,353	21,965
<i>Total</i>	<u>\$ 114,702</u>	<u>\$ 105,531</u>	<u>\$ 109,561</u>	<u>\$ 195,707</u>	<u>\$ 195,707</u>
<b><u>Total Revenue</u></b>	<b><u>\$3,726,592</u></b>	<b><u>\$3,863,737</u></b>	<b><u>\$4,006,639</u></b>	<b><u>\$3,902,405</u></b>	<b><u>\$4,176,852</u></b>

Source: City of Albuquerque, Parks and Recreation Department.

For Fiscal Year 2002 total greens fees and concessions increased by 7.4% compared to Fiscal Year 2001. Total revenues at the Golf Courses in Fiscal Year 2002 increased by 7% compared to Fiscal Year 2000, while total expenses increased by 16.13%.



## OTHER PROJECTS OF THE CITY

### Special Assessment Districts

#### *Generally*

The City first began its Special Assessment District Program (the “SAD Program”) in 1919 and utilized available statutory procedures at that time for creation of paving programs and paving districts until 1965. One hundred and sixty-eight paving programs or paving districts were created from 1919 through 1965. In 1966, the City combined water, sanitary sewer, paving and storm drainage improvements into single special assessment districts and has created approximately 50 combined improvement districts since 1966.

In 1984, the Council adopted a specific policy related to procedures for establishing a special assessment district and in 1987, the City Public Works Department promulgated a SAD Program handbook setting forth the basic policy and documents required for creation of a special assessment district. Those policies generally govern the City’s current SAD Program. Staff specialists from the Public Works Department, the City Attorneys office, the Accounting and Treasury Divisions of the Department of Finance and Administrative Services work in the special assessment district Program to create, finance and enforce special assessment districts.

The City Council adopted the Albuquerque Special Assessment District Policy Ordinance (the “SAD Policy Ordinance”) on October 21, 1996 which consolidates policies and procedures and repeals a number of Council resolutions dating back to 1984 dealing with SAD policies and procedures. In addition, the SAD Policy Ordinance provides for preliminary review of proposed SADs by a committee made up of staff of various City departments and a financial review by the Department of Finance and Administrative Services and the Office of Management and Budget. Section 20 of the SAD Policy Ordinance regarding City credit support provides that the City may pledge certain supplemental revenues to bonds only for SADs where (a) the City owns the improvements; (b) the SAD is contiguous to existing urban facilities or services; and (c) the SAD is for the benefit of the Central Urban or Established Urban areas of the City (or Developing Urban areas under certain circumstances) as defined in the City/County Comprehensive Plan. Section 20 further requires a minimum property value/lien ratio of 3:1 if an owner of property within a SAD will be responsible for 20% or more of the total proposed special assessment liens in the SAD. Also, Section 20 allows for a reserve fund to be funded by bond proceeds and capitalized interest for a period of up to two years.

Pursuant to City Council Bill No. R-181, adopted April 6, 1999, a two year moratorium was imposed on the initiation of new special assessment districts involving a cost to the City for infrastructure improvements. Pursuant to City Council Bill No. R-219, adopted April 16, 2001, the City elected to continue the moratorium for an additional two years. At the end of such period, the City intends to review the SAD program and determine whether, and to what extent, it will continue.

#### *Special Assessment District Procedures*

Special assessment districts are created pursuant to statutory procedures as set forth in N.M. Stat. Ann. Section 3-33-1 through 3-33-43, as amended and supplemented (the “Act”), in

addition to compliance with City policies. A special assessment district is generally initiated by property owners requesting that a district be created for installation of particular street, storm drainage, water and/or sanitary sewer improvements. Those applications are evaluated by the Public Works Department and if it is determined that a special assessment district is feasible, the Council and the Public Works Department select a consulting engineer to design the improvements and to allocate the benefits and costs of the improvements to each of the properties to be included within the special assessment district.

The consulting engineer prepares an assessment plat showing the properties to be included within the district, preliminary engineering plans and designs, prepares a cost estimate, and prepares an estimated maximum benefit roll stating the estimated maximum benefits and estimated assessments to accrue to each property to be included within the district from installation of the improvements. Under the SAD Act and City policies, properties may not be assessed for general benefits accruing to the City and its residents as a whole. Individual properties, therefore, are assessed only for their share of water and sewer master plan lines, arterial and collector streets and storm drainage channels and crossing structures. Consequently, because most special assessment districts include some general benefit to the City and its residents as a whole, the City will pay some portion of the cost of the improvements associated with a special assessment district.

After the preliminary plans and documents concerning a special assessment district are prepared by the consulting engineer and notice is given to all affected property owners, a protest hearing is held by the Council to determine the need for the improvements and to allow property owners to protest the amount of estimated maximum benefit and estimated assessments to accrue to their property as a result of the installation of the improvements. No assessment for the cost of acquisition, construction and installation of improvements may exceed the estimated maximum benefit to accrue to a property. Upon completion of the protest hearing and disposition of the protests by the Council through deletion of improvements or lowering of estimated maximum benefits, the Council directs the consulting engineer to modify and prepare final plans and designs for the improvements and to proceed to advertise for construction bids.

The City follows its standard procedures for selecting construction contractors and the lowest bidder is awarded the construction contract. The consulting engineer prepares a tentative assessment roll allocating the costs of the improvements to each of the individual properties included in the special assessment district. Notice is given to the property owners and the protest hearing is held by the Council to hear objections to the assessments. Objections are settled followed by council adoption of a resolution which confirms the assessment roll.

The Council then adopts an assessing ordinance which assesses the cost of the improvements to the properties included within the district and sets the terms of the special assessment liens. After the assessing ordinance is adopted, the property owners are given a cash pay period of 30 days in which to pay the assessment lien in advance and avoid having a claim of lien filed in the real property records against the individual properties included in the district. After the 30 day cash pay period expires, the City proceeds with the sale and delivery of bonds in order to provide funds to construct the improvements.

## **Housing Projects**

### *Beach Apartments Project*

The Beach Apartments Project, acquired by the City from the Resolution Trust corporation (“RTC”) in July 1991, is located at 2525 Tingley Drive, S.W., Albuquerque, New Mexico and consists of 74 units. The complex was conveyed subject to a land use restriction agreement between the City and RTC which stipulates that not less than 35% of the units in the property be made available to households with incomes less than 65% of the area median income, adjusted for family size. On July 14, 1991, the City issued its Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991 (the “Series 1991 Bonds”) in the original aggregate principal amount of \$1,265,000 for the purpose of acquiring the Beach Apartments Project. These bonds have since been refunded using proceeds of other City obligations as described in “OUTSTANDING INDEBTEDNESS - Housing Obligations - Multifamily Revenue Bonds.”

During the twelve (12) month period ended June 30, 2002, the Beach Apartments Project generated total revenues of \$433,572 and incurred \$253,029 in operating and other expenses, resulting in net income of \$180,543 for that period. No revenues were distributed to the City’s Housing Trust Fund during that period. As a result of the refunding of the Series 1991 Bonds described above, prior reserves relating to the Beach Apartments Project were combined with reserve accounts for the Manzano Vista Apartments Project and the Bluewater Village Apartments Project. A new debt service reserve fund, securing the bonds that refunded the Series 1991 Bonds, the Series 1994 Bonds and the Series 1996 Bonds (as defined herein) was established and, as of June 30, 2001, had a balance of \$280,000 in cash and a surety bond in the amount of \$4,510,000. In addition, in connection with said refunding, a repair and replacement fund was established for the benefit of Beach Apartments, Manzano Vista Apartments and Bluewater Village Apartments and, as of June 30, 2002, had a balance of \$294,299. Finally, with respect to the Beach Apartments subaccount of the rehabilitation and renovation fund created when the Series 1991 Bonds were refunded, as of June 30, 2002, such subaccount had a balance of \$0. All such accounts are currently in compliance with the new mortgage and indenture of trust.

### *Manzano Vista Apartments Project*

The Manzano Vista Apartments Project, purchased by the City in January 1994, is located at 300 Dorado Place, S.E., Albuquerque, New Mexico and consists of 178 units. The complex was purchased at foreclosure auction and was conveyed by foreclosure deed subject to a use agreement between the City and the U.S. Department of Housing and Urban Development (“HUD”). The use agreement stipulates specific improvements to the property and requires that the property accept rental applications from households assisted by the HUD Section 8 program. On January 19, 1994, the City issued its Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments Project), Series 1994 (the “Series 1994 Bonds”) in the original aggregate principal amount of \$3,030,000 for the purpose of acquiring the Manzano Vista, formerly Dorado Village, Apartments Project. These bonds have since been refunded using proceeds of other City obligations as described in “OUTSTANDING INDEBTEDNESS -

Housing Obligations - Multifamily Revenue Bonds” for a description of the bonds issued by the City to acquire the Manzano Vista, formerly Dorado Village, Apartments Project.

During the twelve (12) month period ended June 30, 2002, the Manzano Vista Apartments Project generated total revenues of \$1,087,404 and incurred \$745,670 in operating and other expenses, resulting in net income of \$341,734 for that period. No revenues were distributed to the City’s Housing Trust Fund during that period. As a result of the refunding of the Series 1994 Bonds described above, prior reserves relating to the Manzano Vista Apartments Project were combined with reserve accounts for the Beach Apartments Project and the Bluewater Village Apartments Project, as described above under “Beach Apartments Project.” In addition, as of June 30, 2002, the Manzano Vista subaccount of the rehabilitation and renovation fund, created when the Series 1994 Bonds were refunded, had a balance of \$100,001. All such accounts are currently in compliance with the new mortgage and indenture of trust.

#### *Bluewater Village Apartments Project*

The Bluewater Village Apartments Project is a 200-unit multi-family building developed by Hunt Building Corp. and was acquired by the City upon completion under the terms of a Turnkey Contract on a site located at 6600 Bluewater Road, N.W., Albuquerque, New Mexico. Funding was provided by the issuance of the City’s Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996 (the “Series 1996 Bonds”) in the amount of \$11,245,000 and certain proceeds of the City’s Series 1989 CMO Bonds. Such Series 1996 Bonds have since been refunded using proceeds of other City obligations as described in “OUTSTANDING INDEBTEDNESS - Housing Obligations - Multifamily Revenue Bonds.” Lewinger Hamilton, Inc. is currently management agent for the Project which will be operated as a mixed-income community, i.e., a portion of the units will be occupied by low- and moderate-income families.

During the twelve (12) month period ended June 30, 2002 the Bluewater Village Apartments Project generated total revenues of \$1,200,190 and incurred \$574,287 in operating and other expenses, resulting in a net income of \$625,903 for that period. No revenues were distributed to the City’s Housing Trust Fund for that period. As a result of the refunding of the Series 1996 Bonds described above, prior reserves relating to the Bluewater Villages Apartments Project were combined with reserve accounts for the Manzano Vista Apartments Project and the Beach Apartments Project, as described above under “Beach Apartments Project.” In addition, as of June 30, 2002, the Bluewater Village subaccount of the rehabilitation and renovation fund created when the Series 1996 Bonds were refunded, had a balance of \$0. All such accounts are currently in compliance with the new mortgage and indenture of trust.

### **CITY INVESTMENT POLICIES AND PROCEDURES**

The City has adopted an Investment Policy (the “Investment Policy”) which guides the City’s financial decisions. The City’s Investment Policy is established and maintained by the Investment Committee. The Investment Committee, which meets quarterly, consists of five voting members appointed by the Chief Administrative Officer of the City, and includes the Director of Finance and Administrative Services, the City Treasurer, and three additional members from within City Government. The Director of Finance and Administrative Services

also serves as the Chair of the Investment Committee. The Investment Policy provides that a Deputy Chief Administrative Officer, a representative of the City Council appointed by the head of Council Services, an Assistant City Attorney, the City Economist, and the Investment Manager meet with the Investment Committee as ex-officio members. Day-to-day management of the City's Investment Program is delegated to the Treasury Division of the Department of Finance and Administrative Services, and specifically to the Investment Manager of the Treasury Division. According to the Investment Policy, all the City's investments should be made in accordance with the "Prudent Person" rule,<sup>\*</sup> and the City invests all its funds on the basis of competitive bids and/or offers.

Recognizing that cash is an earning asset, the City tries to invest cash balances over amounts required to meet current financial obligations to achieve the highest rate of return consistent with the primary objectives of preservation of principal and maintenance of adequate liquidity. One of the major objectives of the City is to ensure the safety of its principal, which is accomplished by limiting credit risk and interest rate risk. The City structures its portfolio in a manner which provides the liquidity necessary to pay obligations as they become due, and seeks to optimize return within these constraints. Except for Non-Discretionary Funds, the City seeks to achieve a rate of return on investments at least equal to the average rate of return on the one year U.S. Treasury bill for the reporting period, or other appropriate performance measure as determined by the Investment Committee.

The City attempts to diversify its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The Investment Policy generally provides that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio can be invested in a single security type or with a single financial institution or at a single maturity. The City also attempts to take advantage of temporary aberrations in the market by trading securities of comparable quality to further improve the overall rate of return on the portfolio. It is the policy to trade only if both an improvement in yield (pick-up in basis points) and an increase in net monetary return will be realized by the City over the life of the original investment.

The Investment Policy permits the City to invest in (a) direct obligations or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or in certain certificates or receipts established by the United States Government or its agencies or instrumentalities; (b) obligations of certain specified government-sponsored agencies; (c) accounts, certificates of deposit or time deposits with qualifying banks and savings and loan associations located in Bernalillo County, New Mexico; (d) certificates of deposit, time deposits and banker's acceptances of any qualifying bank or savings and loan association located outside the City; (e) bonds or securities of the State of New Mexico, its agencies, or certain of its subdivisions; (f) certain stripped securities; (g) certain specified repurchase agreements; (h) specified short-term investment and other funds maintained by the State of New Mexico; (i)

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<sup>\*</sup> The "Prudent Person" rule provides that all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

money market instruments and other securities of commercial banks, brokers-dealers and other specified financial investors; and (j) in other permissible investments permitted under statutes of the State of New Mexico. Proceeds of bonds, amounts set aside to pay bonds and reserve funds relating thereto may also be invested in certain tax-exempt obligations and other investments specified in documents relating to the bonds and approved by the City Council.

Conversely, the Investment Policy prohibits the City from making investments in (a) collateralized mortgage obligations and other hybrid mortgage-backed, pass-through securities, because of their complexity and prepayment rate uncertainty; (b) inverse floaters, leveraged floaters, capped and range floaters, dual index floaters, and floating rate notes whose index is tied to a long-term interest rate or lagging index, e.g., Cost of Funds Index; (c) Government National Mortgage Association (“GNMA”)-Guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates, General Services Administration participation certificates, U.S. Department of Housing and Urban Development-local authority bonds, and U.S. Export-Import Bank obligations; (d) investment purchases on margin or short sales; and (e) leveraging the portfolio and lending City-owned securities with an agreement to buy them back after a stated period of time (reverse repurchase agreements from the perspective of the City).

### **FORWARD-LOOKING STATEMENTS**

**This Annual Information Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “intend,” “budget,” “plan” and similar expressions identify forward-looking statements.**

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

### **LITIGATION AND GOVERNMENTAL IMMUNITY**

The New Mexico Tort Claims Act limits liability to (i) \$100,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses as permitted under the New Mexico Tort Claims Act, or (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. In the consolidated cases of Trujillo v. City of Albuquerque, et al. and Rogers v. Otero, et al., Second Judicial District Court, County of

Bernalillo, State of New Mexico, No. CV-85-04181 Consolidated With No. CV-85-08397, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. The City appealed both judgments and the New Mexico Supreme Court remanded the case to the District Court for trial on the constitutionality of the cap on damages. In August 1998, the New Mexico Supreme Court clarified its earlier opinion and declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from a “medium scrutiny” standard to a “rational basis” standard by which the constitutionality issue will be determined in future cases. Since the revised standard is less of a burden for the City to overcome, the City expects that the cap will be upheld if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

As to the status of the Risk Management Fund (an internal service fund) in which all losses and liabilities are recorded, as of June 30, 2001, the fund was in deficit by approximately \$13 million including a prior period adjustment of approximately \$1.5 million made to restate the value of property purchased in connection with settlement of a claim concerning migration of methane gas from a City-operated landfill on to adjacent property. The balance, or deficit, in the Risk Management Fund generally represents: (i) cash and other assets in the Fund, less (ii) an amount determined by the City to be an appropriate reserve for unpaid claims and other potential liabilities (including pending litigation brought against the City which may or may not be resolved in the City’s favor). The cash in the Fund is currently sufficient to pay all claims and judgments due and payable by the City for an average 16 month period. The Fund deficit as of June 30, 2002 is approximately \$14.1 million. The City is in the first year of a five-year plan to eliminate the projected deficit. In addition, pursuant to N.M. Stat. Ann. 1978, Section 41-4-25(B), in the event of a judgment against the City in excess of \$ 100,000, the City may levy a tax on real and personal property to provide for the payment of such excess amount.

### **APPROVAL OF ANNUAL STATEMENT**

This Annual Statement and its distribution and use for the purposes herein have been authorized and approved by the City.

**Submitted for Approval by:**  
City Treasurer

**Approved by:**  
Chief Administrative Officer

/s/ Lou D. Hoffman

/s/ Jay Czar





**APPENDIX A**

**Comprehensive Audited Financial Report  
of the City of Albuquerque –  
Audited General Purpose Financial Statements –  
as of and for the Fiscal Year ended June 30, 2001**



# NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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ALBUQUERQUE, NM 87110

## Independent Auditors' Report

The Honorable Martin Chavez, Mayor and  
Members of City Council

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Albuquerque, New Mexico  
December 2, 2002



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2002

This section of the City of Albuquerque's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.4 billion (net assets). Of this amount, \$108.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$90.1 million during the year.
- As of June 30, 2002, the City's governmental funds reported combined ending fund balances of \$283.6 million. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately \$122.4 million is unreserved fund balance in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$19.8 million or 7.2 percent of the total general fund expenditures of \$274.5 million.
- The City's total long-term debt increased by \$26.6 million (three percent) during the current year. The key factors in this increase were issuances of \$92.4 million of general obligations bonds, of which \$39.7 million was issued for street and storm sewer improvements, \$20.7 million was issued for parks and recreation facilities, and \$8.0 million was issued for the construction of a new baseball stadium. \$42.6 million in revenue bonds were issued by the Albuquerque International Airport. Those proceeds plus additional monies were used to advance refund \$46.0 million of revenue bonds. \$30.0 million was issued by the Joint Water and Sewer fund to improve, repair, or extend the City's water and sewer system.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements is comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, culture and recreation, public works, health, human services, housing, highways and streets, and special assessments. The business-type activities of the City include an airport, joint water and sewer system, refuse disposal, golf courses, parking facilities, and transit system

The City does not have a relationship with any other government that would cause that government to be considered a component unit of the City.

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Corrections and Detention, General Obligations Debt Service, and the Capital Acquisition funds, all of which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General fund, Corrections and Detention fund, and the General Obligation Debt Service fund. A budgetary comparison statement has been provided for each of these funds. In addition, the City adopts an annual appropriated budget for other non-major funds. A budgetary comparison statement is presented in the aggregate for all of those funds.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Joint Water and Sewer system, Refuse Disposal, and Housing Authority, which are considered major funds of the City. In addition the following non-major funds are reported: Golf Course, Parking and Transit are combined into a single, aggregate presentation in the proprietary financial statements and individually in the combining statements elsewhere in this report.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's Trust and Agency fund is reported under the fiduciary funds. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
 June 30, 2002

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information (RSI)**

The required budgetary comparison statements for the major funds are presented separately and in the basic financial statements. An aggregated budgetary comparison statement for the non-major budgeted funds is also presented there. The city is not required to provide other information in the RSI and therefore, no information is presented there.

**Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds, internal service funds, and fiduciary funds are presented immediately following the Notes to the Financial Statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of data, the City has not restated prior fiscal years for the purpose of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

**NET ASSETS**  
 June 30, 2002 (in millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current and other assets	\$ 476.3	\$ 246.9	\$ 723.2
Capital Assets	<u>691.6</u>	<u>1,120.1</u>	<u>1,811.7</u>
Total assets	<u>1,167.9</u>	<u>1,367.0</u>	<u>2,534.9</u>
<b>Liabilities:</b>			
Long-term liabilities outstanding	358.0	544.0	902.0
Other liabilities	<u>161.2</u>	<u>72.6</u>	<u>233.8</u>
Total liabilities	<u>519.2</u>	<u>616.6</u>	<u>1,135.8</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	439.6	601.2	1,040.8
Restricted	174.8	75.0	249.8
Unrestricted	<u>34.3</u>	<u>74.2</u>	<u>108.5</u>
Total net assets	<u>\$ 648.7</u>	<u>\$ 750.4</u>	<u>\$ 1,399.1</u>

**Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.4 billion at the close of the year.

The largest portion of the City's net assets (74.4percent) reflects its investment of \$1.04 billion in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2002**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

Analysis of Net Assets, continued

At the end of the current fiscal year, the City has positive balances in all three categories of net assets for the government as a whole, as well as for both the government and business-type activities.

Analysis of Changes in Net Asset

**CHANGE IN NET ASSETS**  
(in millions of dollars)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>REVENUES</b>			
<b>Program revenues:</b>			
Charges for services	\$ 62.7	\$ 236.7	\$ 299.4
Federal and State grants	52.9	46.5	99.4
<b>General revenues:</b>			
Gross receipts taxes	116.3	-	116.3
Property taxes	72.2	-	72.2
Other taxes	23.7	-	23.7
State shared taxes and fees	146.3	-	146.3
Grants, investment income, and other	28.8	4.5	33.3
<b>Total revenues</b>	<b>502.9</b>	<b>287.7</b>	<b>790.6</b>
<b>EXPENSES</b>			
General government	52.8	-	52.8
<b>Public safety:</b>			
Corrections and detention	35.5	-	35.5
Fire protection	46.0	-	46.0
Police protection	99.0	-	99.0
Cultural and recreation	64.8	-	64.8
Public works	12.0	-	12.0
Health	10.4	-	10.4
Human services	51.7	-	51.7
Housing	2.2	-	2.2
Highways and streets	27.1	-	27.1
Special assessments	15.9	-	15.9
Interest expense	16.8	-	16.8
Airport	-	60.5	60.5
Joint Water and Sewer	-	107.0	107.0
Refuse Disposal	-	35.8	35.8
Housing Authority	-	24.2	24.2
Golf Course	-	4.2	4.2
Parking	-	4.0	4.0
Transit	-	30.6	30.6
<b>Total expenses</b>	<b>434.2</b>	<b>266.3</b>	<b>700.5</b>
<b>Excess (deficiency) before transfers</b>	68.7	21.4	90.1
<b>Transfers</b>	(21.2)	21.2	-
<b>Increase (decrease) in net assets</b>	<b>\$ 47.5</b>	<b>\$ 42.6</b>	<b>\$ 90.1</b>



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2002**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

**Analysis of Changes in Net Asset, continued**

The City's overall net assets were increased by \$90.1 million during the current fiscal year. However, this does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The increases in net assets are explained in the governmental and business-type activities discussion below.

**Governmental activities.** Governmental activities increased the City's net assets by \$47.5 million, thereby accounting for 64 percent of the total growth in the net assets of the City. Since the City has not restated the financial statements for fiscal year ended June 30, 2001 to conform those statements to the provisions of GASB 34, the comparability of expenses is not feasible at this time. The City will provide such an analysis of expenses in subsequent annual reports.

Also, since the City has not capitalized infrastructure assets acquired prior to this fiscal year, the change in net assets does not reflect depreciation expense on those assets. City staff estimates that the depreciation expense on roadways could exceed \$40 million. The inclusion of that depreciation expense plus the amount to be recorded for storm sewers and bike trails could result in a very small positive change in net assets or possibly result in a negative change in net assets.

A comparison of revenues with the prior year is provided below:

- Due to a weakened economy, the gross receipts tax revenue and state shared taxes were virtually unchanged from that of the prior year.
- The investment earnings were reduced from \$24.1 million in fiscal year ended June 30, 2001 to 10.4 million in the current year. The primary cause for this reduction was due to the weakened investment market experienced by virtually all governments.
- The intergovernmental revenues from sources other than state shared taxes was reduced for federal and state grants by \$9.8 million that is offset by a \$4.0 million increase from the County of Bernalillo in connection with the joint shared operations of the Bernalillo County Corrections and Detention facilities.
- Other revenues for the current year were virtually unchanged from the previous fiscal year.

**Business-type activities.** Business-type activities increased the City's net assets by \$42.6 million, accounting for 36 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

- The Airport fund had a negative change in net assets of \$1.6 million in fiscal year 2002 compared to a \$7.1 million increase in 2001. It incurred an additional \$6.5 million in expenses during fiscal year 2002 over that of fiscal year 2001. However, with an increase in rates, the fund was able to increase its operating revenues by \$2.8 million. The passenger facilities charges (PFC) were reduced from the prior year by \$1.5 million. Much of the increase in expenses and reduction in PFC charges was a result of the September 11, 2001 events. In addition, the weakened investment market rates resulted in reducing investment earnings by \$2.5 million.
- Due to increased rates for water and sewer services, the Joint Water and Sewer fund increased its operating revenues by \$6.0 million over fiscal year 2001. The expenses remained stable and did not materially change from the previous fiscal year. The reduction in investment earnings from fiscal year 2001 was approximately \$1.1 million while interest expense decreased by \$1.9 million. In addition, capital contributions from developers for the current year was \$15.0 million compared to \$12.2 million for fiscal year 2001. The net assets of the fund increased by \$31.4 million during the year compared to \$24.2 million for the previous fiscal year. For this comparison, the "change in net assets" for the previous year was restated for a change required by GASB 34 where capital contributions of \$12.2 million are reported as revenue instead of being reported as a direct increase to fund net assets.
- For the Refuse Disposal fund, the reported change in net assets of \$2.5 million was reduced from \$3.7 million in fiscal year 2001. The primary change was due to reduced investment earnings of approximately \$310 thousand, increased expenses of \$1.4 million, and an increase in transfer to the General Fund by \$546 thousand.
- The Transit fund accounted for most of the change in the non-major funds with an increase of \$4.6 million in transfers from the General fund, Capital Acquisition fund and the Infrastructure Tax fund to \$27.1 million in fiscal year 2002 from \$22.5 million as reported for the previous fiscal year. In addition, capital contributions from the Federal government increased by \$2.2 million.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
June 30, 2002

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$283.6 million, an increase of \$32.8 million in comparison with the prior year. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$122.4 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to fund continued programs or projects in future fiscal periods (\$16.1 million), 2) for acquisition and management of open space and urban enhancement (\$39.3 million), and 3) to show that fund balance representing advances to other funds (\$25.9 million) is not available for spending.

Revenues for governmental functions overall totaled approximately \$514.7 million in the fiscal year ended June 30, 2002, which represents a decrease of \$14.2 million from last year. The major causes for the decrease were 1) investment earnings were reduced by \$13.7 million due to lower market rates and a reduction in cash and investments during the year, and 2) intergovernmental revenues decreased by \$4.4 million caused by reduced revenues from federal and state grants of \$9.9 million that is offset by an increase in revenues of \$4.0 million from the County of Bernalillo in connection with the joint operations of the Corrections and Detentions facilities and from state shared taxes of \$1.2 million.

Expenditures, totaling \$560.1 million, of governmental functions decreased by \$48.7 million from the previous year total of \$608.8 million. The primary cause of the decrease was from reduced debt service requirement of \$19.3 million, from reduced capital outlay expenditures of \$30.9 million, and reduced expenditures of \$4.1 million for public works. The decrease was offset by increases in expenditures for Corrections and Detention of \$1.9 million, fire protection of \$3.6 million and police protection of \$1.0 million. These increases generally reflect an increased awareness for security and for emergencies resulting from the September 11, 2001 events.

**General Fund.**

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$36.6 million while the unreserved fund balance was \$19.8 million. The reserved fund balance of \$16.8 million is set aside 1) for unanticipated expenditures (\$16.2 million equaling 5.0 percent of recurring revenues), and 2) to indicate that non-current financial resource assets of \$0.6 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is \$17.8 million designated for future appropriations and \$0.1 million for unrealized gain on investments since the unrealized gains are not available until the underlying securities are sold. The net change in fund balance for the current fiscal year was a decrease of \$3.6 million.

The total revenues of \$308.6 million for the current fiscal year was \$0.2 million less than for the previous fiscal year. The decrease largely resulted from weakened investment market rates that caused interest revenues to be significantly lower by \$2.2 million. This was largely offset by an increase in taxes of \$0.9 million and a \$1.2 million increase in intergovernmental revenues.

The total expenditures of \$274.5 million represents an increase of \$1.0 million over the previous fiscal year. The expenditures for fire and police protection increased by \$5.2 million due to an increased emphasis for security and emergency responses while the expenditures for highways and streets and health functions increased by \$1.2 million. These increases were offset by reductions in expenditures from the previous fiscal year for general government (\$1.0 million), culture and recreation (\$1.3 million), public works (\$0.6 million) and human services (\$2.5 million). The reductions were necessary due to a weakened economy that resulted in lower revenues than anticipated. See the General Fund budgetary highlights for an analysis with respect to budgets.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2002**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued**

**Proprietary funds**

The City's proprietary funds provide the same type of information presented in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets (in millions) were as follows:

• Airport Fund .....	\$10.6
• Joint Water and Sewer Fund .....	48.1
• Refuse Disposal Fund .....	5.2
• Housing Authority Fund .....	8.6
• Non-major enterprise funds .....	<u>1.6</u>
• Total .....	<u>\$74.2</u>

Included in the non-major enterprise funds amount is the golf course fund with negative unrestricted net assets of \$10,692. The other non-major funds have positive unrestricted net assets.

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of \$8.5 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$14.1 million resulting from unanticipated judgment awards and claims against the City. The City is currently in a five year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ended June 30, 2007. All other internal service funds had positive unrestricted net assets.

**Fiduciary funds**

The only fund in this category is the City's Trust and Agency fund. This fund is used by the City to account for funds held for third parties and does not have an equity caption since the net of assets and liabilities are always zero.

**General Fund budgetary highlights**

The City's final budget differs from the original budget as a change in administration occurred in December 2001, leading to an increased emphasis on public safety. This required an intra-year increase in appropriations in public safety of \$5.1 million.

This requirement for additional public safety resources and economic weakness resulting in reduced operating revenues necessitated a mid-year de-appropriations bill.

In addition to reducing departmental budgets, a partial hiring freeze was in place most of the year. Retirements were encouraged and positions were not filled. Expenses were watched very closely and new disciplinary procedures regarding budgetary responsibility were imposed. All of these actions resulted in actual expenditures being \$4.1 million less than the original budget and \$6.5 million less than the budget as approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$0.6 million, based on the mid-year budget. City cultural activities reverted \$1.5 million from the adjusted budget. Public Safety actually reverted \$2.7 million from their budget that was increased mid-year. All General Fund agencies answered the call for budgetary responsibility by carefully monitoring their expenses and returning funds.

Revenues were very hard to predict over this fiscal year as the economy continued to weaken. Revenues were \$12.7 million less than anticipated in the original budget and \$10.1 million less than the budget as projected at mid-year. Gross receipts tax, a major component of the City's operating revenue came in \$5.7 million less than the revised budget estimate and \$8.7 million less than the original budget. Close to a million dollars in revenue was lost in interest earnings as interest rates fell and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and construction activity was less than originally anticipated.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
 June 30, 2002

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$1.8 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total increase in the City's capital assets for the current fiscal year was \$74.6 million or 4.3 percent.

**CAPITAL ASSETS**  
 (net of depreciation, in millions of dollars)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land *	\$ 202.8	\$ 198.9	\$ 79.0	\$ 66.7	\$ 281.8	\$ 265.6
Other *	-	-	0.6	0.6	0.6	0.6
Buildings and improvements	50.6	50.0	141.7	132.2	192.3	182.3
Runways and improvements	-	-	118.0	130.8	118.0	130.8
Improvements other than buildings and runways	123.9	129.0	676.1	676.1	799.9	805.1
Equipment	30.5	31.3	52.7	49.3	83.3	80.7
Infrastructure	35.0	-	-	-	35.0	-
Construction in progress *	<u>248.8</u>	<u>219.5</u>	<u>51.9</u>	<u>52.5</u>	<u>300.7</u>	<u>272.0</u>
<b>Total</b>	<b><u>\$ 691.6</u></b>	<b><u>\$ 628.7</u></b>	<b><u>\$ 1,120.1</u></b>	<b><u>\$ 1,108.4</u></b>	<b><u>\$ 1,811.7</u></b>	<b><u>\$ 1,737.1</u></b>

\* assets not depreciated

Major capital asset events during the current fiscal year included the following:

- In the *governmental activities*; infrastructure assets of \$35.0 million was added for roadways, storm sewers and bike trails. In addition a police helicopter was purchased for \$1.5 million, land for the Petroglyph park was acquired for \$2.0 million, Explora Science Center was completed costing \$2.2 million, land was acquired for open space costing 1.0 million, and replacement vehicles were acquired for the police (\$1.7 million) and for the fire department (\$2.3 million). The construction work in progress increased by \$29.3 million as a result of a new baseball stadium (\$4.9 million), a new community center, the Balloon Fiesta Park facility development, a new police crime lab and other facilities.
- In the *business-type activities*; parking structures for \$14.0 million, a water treatment site (\$10.9 million) for purifying the San-Juan Chama river water for drinking, water and sewer lines (\$12.9 million), buses (\$9.2 million) for the transit system, and the renovation and improvement of the Sewer treatment plant were added to capital assets. The construction work in progress decreased by \$0.6 million.

**Debt Administration**

At the end of the current fiscal year, the City had total long-term obligations of \$1.03 billion of which \$131.9 million is due within the next fiscal year. The total bonded debt (net of un-amortized discounts, deferred amount on refunding and including un-amortized premiums) is \$912.7 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2002, the City issued \$92.4 million of general obligation bonds for various construction projects including a new baseball stadium, improvements to streets and storm sewers and \$72.6 million of revenue bonds for improvements to the joint water & sewer system and for refunding \$46.0 million of Airport improvement bonds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2002**

**CAPITAL ASSETS AND DEBT ADMINISTRATION, continued**

**Debt Administration, continued**

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The State's Constitution provides for a legal debt limit of four percent of taxable valuation. The ratio for the City of Albuquerque is 1.91 percent of the \$7.4 billion taxable value of property within the City's area. The City currently may issue up to an additional \$184.0 million of general obligation bonds. It has \$112.9 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2002. In addition, the net general bonded debt per capita is \$308.01. The highest per capita amount in the last ten fiscal years was \$498.80 in the fiscal year ended June 30, 1994. Since then the City has generally reduced the per capita amount to a low of \$252.67 in fiscal year ended June 30, 2001.

The City's rating on uninsured general obligation bonds as of June 30, 2002 were:

Moody's Investors Service, Inc.	Aa3
Standard & Poor's Ratings Service	AA
Fitch , Inc.	AA

Since the close of the 2002 fiscal year, the City has not issued any general obligation bonds for the governmental activities, nor any revenue bonds for the business-type activities. It has entered into a loan agreement with the New Mexico Finance Authority for \$6.0 million to provide additional financing for the construction of the new baseball stadium.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2003 budget. Inflation and population growth were considered. Many of the revenues are influenced by the economy. Other factors such as known changes in law are factored in as appropriate. The Gross Receipts tax revenue forecast is highly influenced by economic conditions; inflation and employment growth are key indicators of this.

Economic conditions are expected to rebound from the national recession, but construction employment in the area will decline with the completion of the Big-I interchange and Intel's \$2 billion expansion project.

Revenues from charges for entry into City venues are increased from population growth and in some cases increased charges.

Property taxes revenues continue to grow as the economy expands, and for the operating revenues, the State limits growth based on inflation.

Revenues from internal funds are limited by slow growth in the number of City workers and wages in other City funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2002**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES, continued**

The following table presents the underlying assumptions used in the budget process:

**TABLE A**  
**ECONOMIC ASSUMPTIONS UNDERLYING THE REVENUE ESTIMATES**  
**as of March 2002**

Fiscal Year	2001	2002	2003
<b>NATIONAL ECONOMY:</b>			
% Chg Real GDP	3.8%	0.5%	2.5%
% Chg U.S. Personal Income	6.6%	3.2%	4.5%
% Chg Non-Agric Employment	1.4%	-0.5%	0.7%
U.S. Unemployment Rate	4.2%	5.5%	6.0%
% Chg CPI-U	3.4%	1.9%	2.4%
Federal Funds Rate	5.8%	2.3%	2.9%
Ave. Refiners' Acquisition Price Oil	\$ 27.19	\$ 19.82	\$ 21.21
<b>NEW MEXICO ECONOMY:</b>			
% Chg NM Personal Income	6.1%	5.1%	4.9%
% Chg NM Non-Agric Employment	2.2%	0.8%	1.2%
NM Unemployment Rate	4.7%	5.3%	5.8%
<b>ALBUQUERQUE MSA ECONOMY:</b>			
% Chg Albq Personal Income	5.5%	3.6%	4.3%
% Chg Albq Non-Agric Employ	2.6%	0.3%	1.0%
% Change in Albq Const Employ	10.4%	-3.7%	-7.4%
Albq Unemployment Rate	3.2%	4.3%	4.7%
City Housing Authorizations (Units)			
Single Family Residential	3,812	4,095	4,150
Multi-Family Residential	758	653	447

Source: March 2002 forecasts provided nationally by the WEFA Group and locally by University of New Mexico, Bureau of Business and Economic Research, Economic Forecasting Service

The total original General Fund appropriation was \$336.5 million before interfund eliminations and \$289.7 million after eliminations. The before elimination appropriation was an increase over the fiscal year 2002 budget by \$9.6 million or 2.9%.

The international, national, state and local economies have continued to struggle, and the City has revised its revenue estimates twice. The original budget anticipated revenues of \$339.2. In early October, revenue projections were reduced by \$11.1 million to reflect changing expectations. The General Fund budget was reduced by \$4.6 million. A hiring freeze continues, as does a partial spending freeze. A second de-appropriations bill is now pending before Council to reduce the budget yet again by \$3.3 million.

The revenue outlook has modestly improved since the first appropriation reduction bill. The latest estimates predict an additional \$2.1 million in General Fund revenue, for a total revised revenue shortfall of \$9 million (rather than \$11.1 million).

The City is continually monitoring the revenue and expenditure picture. In this uncertain economic climate, additional changes may be required and the City stands poised to react quickly.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, room 7057, One Civic Plaza N.W., Albuquerque, New Mexico 87102.



CITY OF ALBUQUERQUE  
STATEMENT OF NET ASSETS  
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash, investments and accrued interest	\$ 258,601,191	\$ 32,558,139	\$ 291,159,330
Taxes receivable	60,270,878	-	60,270,878
Accounts receivable	32,253,932	23,643,701	55,897,633
Due from other governments	18,655,799	489,555	19,145,354
Accrued interest	115,661	-	115,661
Deposits	1,786,679	-	1,786,679
Internal balances	25,600,000	(25,600,000)	-
Inventories	2,131,743	1,288,668	3,420,411
Prepaid expenses	464,716	-	464,716
<b>Total current assets</b>	<u>399,880,599</u>	<u>32,380,063</u>	<u>432,260,662</u>
<b>Restricted assets:</b>			
Cash, investments and accrued interest	68,942,490	178,421,899	247,364,389
Accounts receivable	-	5,726,703	5,726,703
Escrow deposits	-	595,250	595,250
<b>Total restricted assets</b>	<u>68,942,490</u>	<u>184,743,852</u>	<u>253,686,342</u>
<b>Capital assets:</b>			
Land and construction in progress	451,588,596	131,580,118	583,168,714
Capital assets being depreciated	536,234,031	1,982,096,538	2,518,330,569
Accumulated depreciation	(296,225,134)	(993,560,296)	(1,289,785,430)
<b>Total capital assets</b>	<u>691,597,493</u>	<u>1,120,116,360</u>	<u>1,811,713,853</u>
<b>Deferred charges and other assets</b>	<u>7,428,060</u>	<u>29,726,834</u>	<u>37,154,894</u>
<b>Total assets</b>	<u>1,167,848,642</u>	<u>1,366,967,109</u>	<u>2,534,815,751</u>



CITY OF ALBUQUERQUE  
STATEMENT OF NET ASSETS  
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	22,189,758	3,926,341	26,116,099
Accrued liabilities	23,454,639	1,165,486	24,620,125
Deposits	793,067	556,494	1,349,561
Due to other governments	343,819	12,640	356,459
Deferred revenues	27,149,261	-	27,149,261
<b>Current portion of non current liabilities:</b>			
Bonds and notes payable	57,022,276	-	57,022,276
Accrued vacation and sick leave pay	15,117,241	4,297,381	19,414,622
Accrued claims payable	13,154,499	-	13,154,499
Water rights contracts and loan agreements	-	3,384,676	3,384,676
<b>Total current liabilities</b>	<u>159,224,560</u>	<u>13,343,018</u>	<u>172,567,578</u>
<b>Liabilities payable from restricted assets:</b>			
Accounts payable	-	6,473,199	6,473,199
Accrued interest	-	10,339,536	10,339,536
Deferred revenue	-	64,868	64,868
Current portion of revenue bonds payable	-	38,910,000	38,910,000
Other	-	1,672,289	1,672,289
<b>Total liabilities payable from restricted assets</b>	<u>-</u>	<u>57,459,892</u>	<u>57,459,892</u>
<b>Noncurrent liabilities:</b>			
Bonds and notes payable, net of unamortized discounts	320,927,124	495,843,907	816,771,031
Water rights contracts and loan agreements	-	45,752,329	45,752,329
Accrued vacation and sick leave pay	10,886,038	2,417,349	13,303,387
Accrued claims payable	26,144,014	-	26,144,014
<b>Total non current liabilities</b>	<u>357,957,176</u>	<u>544,013,585</u>	<u>901,970,761</u>
Deferred credits and other liabilities	1,982,207	1,714,316	3,696,523
<b>Total liabilities</b>	<u>519,163,943</u>	<u>616,530,811</u>	<u>1,135,694,754</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	439,612,859	601,222,334	1,040,835,193
<b>Restricted for:</b>			
Debt service	48,905,176	31,302,706	80,207,882
Construction	68,496,505	43,705,988	112,202,493
Housing & economic development	15,702,032	-	15,702,032
Federal & state funded programs	2,369,561	-	2,369,561
<b>Open space and urban enhancement:</b>			
Nonexpendable	36,133,420	-	36,133,420
Expendable	3,143,753	-	3,143,753
Unrestricted	34,321,393	74,205,270	108,526,663
<b>Total net assets</b>	<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>
<b>Governmental Activities:</b>			
General government	\$ 52,802,606	\$ (4,268,701)	\$ 31,209,841
Public Safety			
Corrections	35,501,831	1,382,936	2,465,759
Fire	46,020,746	204,238	193,823
Police	98,997,456	947,447	2,446,216
Culture and recreation	64,806,137	415,249	8,012,494
Public works	11,972,156	67,807	-
Health	10,383,352	189,870	2,500,113
Human services	51,672,125	483,878	1,479,662
Housing	2,248,822	17,436	1,682,947
Highways and streets	27,146,590	559,840	1,255,877
Special assessments	15,897,025	-	11,464,228
Interest expense	<u>16,796,249</u>	<u>-</u>	<u>-</u>
<b>Total governmental type activities</b>	<u>434,245,095</u>	<u>-</u>	<u>62,710,960</u>
<b>Business Type Activities:</b>			
Airport	60,524,079	-	57,549,154
Joint Water and Sewer	106,949,587	-	125,968,018
Refuse Disposal	35,836,803	-	39,174,156
Housing Authority	24,215,763	-	1,817,585
Golf Course	4,132,119	-	4,025,110
Parking	4,041,647	-	3,381,458
Transit	<u>30,622,700</u>	<u>-</u>	<u>4,820,111</u>
<b>Total business type activities</b>	<u>266,322,698</u>	<u>-</u>	<u>236,735,592</u>
<b>Total primary government</b>	<u>\$ 700,567,793</u>	<u>\$ -</u>	<u>\$ 299,446,552</u>

**General Revenues:**

**Taxes:**

- Gross receipts taxes, local option
- Property taxes, levied for debt service
- Property taxes, levied for general operations
- Property taxes, levied for metropolitan redevelopment
- Franchise taxes
- Lodgers' tax
- State shared taxes and fees not restricted to specific programs
- Grants and contributions not restricted to specific programs
- Investment income
- Other general revenues
- Transfers between governmental and business type activities

**Total general revenues, special items and transfers**

**Change in net assets**

**Net assets (deficit), July 1**

**Net assets (deficit), June 30**

<u>Program Revenues, continued</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 352,044	\$ 194,915	\$ (16,777,105)	\$ -	\$ (16,777,105)
19,546,000	-	(14,873,008)	-	(14,873,008)
11,840	766,415	(45,252,906)	-	(45,252,906)
6,263,133	-	(91,235,554)	-	(91,235,554)
17,583	-	(57,191,309)	-	(57,191,309)
2,370,879	-	(9,669,084)	-	(9,669,084)
887,217	-	(7,185,892)	-	(7,185,892)
15,083,492	-	(35,592,849)	-	(35,592,849)
1,411,483	-	828,172	-	828,172
1,554,150	4,431,007	(20,465,396)	-	(20,465,396)
-	-	(4,432,797)	-	(4,432,797)
-	-	(16,796,249)	-	(16,796,249)
<u>47,497,821</u>	<u>5,392,337</u>	<u>(318,643,977)</u>	<u>-</u>	<u>(318,643,977)</u>
-	375,582	-	(2,599,343)	(2,599,343)
-	14,995,201	-	34,013,632	34,013,632
-	-	-	3,337,353	3,337,353
21,969,722	-	-	(428,456)	(428,456)
-	-	-	(107,009)	(107,009)
-	473,604	-	(186,585)	(186,585)
-	<u>8,694,742</u>	<u>-</u>	<u>(17,107,847)</u>	<u>(17,107,847)</u>
<u>21,969,722</u>	<u>24,539,129</u>	<u>-</u>	<u>16,921,745</u>	<u>16,921,745</u>
<u>\$ 69,467,543</u>	<u>\$ 29,931,466</u>	<u>(318,643,977)</u>	<u>16,921,745</u>	<u>(301,722,232)</u>
		116,252,287	-	116,252,287
		57,188,122	-	57,188,122
		14,563,374	-	14,563,374
		400,000	-	400,000
		15,368,751	-	15,368,751
		8,319,032	-	8,319,032
		146,338,236	-	146,338,236
		12,346,808	-	12,346,808
		11,324,332	4,531,263	15,855,595
		5,179,315	-	5,179,315
		<u>(21,184,079)</u>	<u>21,184,079</u>	<u>-</u>
		<u>366,096,178</u>	<u>25,715,342</u>	<u>391,811,520</u>
		47,452,201	42,637,087	90,089,288
		<u>601,232,498</u>	<u>707,799,211</u>	<u>1,309,031,709</u>
		<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2002**

	<b>General Fund</b>	<b>Corrections Fund</b>
<b>ASSETS</b>		
Cash, investments, and accrued interest	\$ 25,556,066	\$ -
Cash with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,513,715	-
Gross receipts tax	42,364,718	-
Franchise tax	3,108,896	-
Lodger's tax	-	-
Other taxes	550,491	-
Other receivables, net of allowance for uncollectible	2,383,674	46,014
Due from other governments	182,439	4,439,199
Deposits	-	-
Due from other funds	5,602,453	-
Advances to other funds	307,636	-
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for sale	-	-
<b>TOTAL ASSETS</b>	<b>\$ 81,799,343</b>	<b>\$ 4,702,796</b>

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 13,950,863	\$ 125,096,349	\$ 68,264,308	\$ 232,867,586
54,610,058	-	13,419,209	68,029,267
6,477,799	-	400,000	8,391,514
-	-	5,047,287	47,412,005
-	-	-	3,108,896
-	-	807,972	807,972
-	-	-	550,491
-	21,651	27,773,233	30,224,572
-	5,470,945	8,500,156	18,592,739
-	1,780,000	-	1,780,000
-	-	-	5,602,453
-	-	25,600,000	25,907,636
-	-	-	283,085
-	-	-	163,753
-	-	5,128,528	5,128,528
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2002**

	<b>General Fund</b>	<b>Corrections Fund</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,430,365	\$ 821,367
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	15,358,966	114,409
Due to other funds	-	3,107,113
Due to other governments	-	343,819
Deferred revenue	25,704,841	-
Deposits	705,707	76,360
Advances from other funds	-	-
Matured bonds and interest payable	-	-
<b>Total liabilities</b>	<b>45,199,879</b>	<b>4,463,068</b>
<b>Fund balances:</b>		
<b>Reserved for:</b>		
Encumbrances	83,918	13,373
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for resale	-	-
Advances to other funds	307,636	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	16,161,000	-
Unreserved (deficit)	19,817,655	8,772
<b>Unreserved (deficit) , reported in:</b>		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
<b>Total fund balances</b>	<b>36,599,464</b>	<b>239,728</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 81,799,343</b>	<b>\$ 4,702,796</b>

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 620,757	\$ -	\$ 2,929,320	\$ 7,801,809
-	8,497,855	3,791,027	12,288,882
-	-	77,700	15,551,075
-	-	2,495,340	5,602,453
-	-	-	343,819
1,578,330	1,329,455	29,139,513	57,752,139
-	-	11,000	793,067
-	112,000	195,636	307,636
<u>54,610,058</u>	<u>-</u>	<u>10,193,562</u>	<u>64,803,620</u>
<u>56,809,145</u>	<u>9,939,310</u>	<u>48,833,098</u>	<u>165,244,500</u>
-	-	42,728	140,019
-	-	-	283,085
-	-	-	163,753
-	-	62,598	62,598
-	-	25,600,000	25,907,636
-	-	28,901,350	28,901,350
-	-	10,375,823	10,375,823
-	-	-	16,161,000
18,229,575	122,429,635	-	160,485,637
-	-	19,120,526	19,120,526
-	-	5,013,003	5,013,003
-	-	16,991,567	16,991,567
<u>18,229,575</u>	<u>122,429,635</u>	<u>106,107,595</u>	<u>283,605,997</u>
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2002

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:**

Total fund balance for governmental funds \$ 283,605,997

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2002 consist of:

Land	\$ 202,474,732	
Construction in progress	248,830,022	
Buildings	80,787,939	
Infrastructure	35,599,482	
Improvements	274,919,385	
Equipment	142,061,727	
Accumulated depreciation	<u>(293,962,071)</u>	
Total capital assets		690,711,216

Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2002 are:

General Obligation bonds payable	(160,055,000)	
Sales tax revenue bonds and notes payable	(157,633,704)	
Special assessment debt with governmental commitment	(18,051,511)	
Unamortized bond issue costs	369,532	
Unamortized premiums and discounts	<u>14,813,091</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(320,557,592)	
Accrued vacation and sick pay	(25,336,671)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,982,207)</u>	
		(347,876,470)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are: (8,474,583)

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. The taxes are:

Gross receipts tax	27,806,164	
Property taxes	2,039,788	
Other taxes	<u>756,926</u>	
		30,602,878

Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements. 115,661

Total net assets of governmental activities \$ 648,684,699





**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
Year ended June 30, 2002

	<u>General Fund</u>	<u>Corrections Fund</u>
Licenses and permits	8,642,643	-
Intergovernmental	141,518,731	19,546,000
Charges for services	36,637,552	1,977,709
Fines and forfeits	23,650	-
Interest	973,684	(201,618)
Special assessments	-	-
Gain (loss) on disposition of land held for sale	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	<u>582,863</u>	<u>488,050</u>
<b>Total revenues</b>	<u><b>308,695,382</b></u>	<u><b>21,810,141</b></u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	43,374,594	-
Public safety	127,468,704	36,233,744
Culture and recreation	49,152,049	-
Public works	8,571,052	-
Highways and streets	12,897,560	-
Health	6,288,287	-
Human services	26,795,529	-
Housing	-	-
<b>Debt service:</b>		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Bond issuance costs	-	-
Rebatable arbitrage payments	-	-
<b>Total expenditures</b>	<u><b>274,547,775</b></u>	<u><b>36,233,744</b></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u><b>34,147,607</b></u>	<u><b>(14,423,603)</b></u>
<b>Other financing sources (uses):</b>		
Operating transfers in	8,885,629	17,057,000
Operating transfers out	(46,616,436)	(360,551)
Proceeds of bonds, notes and premiums issued	-	-
<b>Total other financing sources (uses)</b>	<u><b>(37,730,807)</b></u>	<u><b>16,696,449</b></u>
<b>Net change in fund balances</b>	<b>(3,583,200)</b>	<b>2,272,846</b>
<b>Fund balances (deficit), July 1, as restated</b>	<u><b>40,182,664</b></u>	<u><b>(2,033,118)</b></u>
<b>Fund balances (deficit), June 30</b>	<u><b>\$ 36,599,464</b></u>	<u><b>\$ 239,728</b></u>

See Notes to Financial Statements

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
-	-	1,753,516	10,396,159
-	12,330,778	36,025,996	209,421,505
-	-	5,129,677	43,744,938
-	-	645,120	668,770
906,929	3,888,853	4,484,875	10,052,723
-	-	10,277,392	10,277,392
-	-	(209,751)	(209,751)
-	-	344,425	344,425
-	-	358,435	358,435
-	4,187,785	6,127,131	11,385,829
<u>63,616,772</u>	<u>20,407,416</u>	<u>100,213,329</u>	<u>514,743,040</u>
-	-	9,680,804	53,055,398
-	-	8,665,158	172,367,606
-	-	4,164,132	53,316,181
-	-	2,705,635	11,276,687
-	-	6,176,854	19,074,414
-	-	3,737,057	10,025,344
-	-	24,122,041	50,917,570
-	-	2,389,026	2,389,026
49,810,000	-	10,248,006	60,058,006
8,215,773	-	6,612,807	14,828,580
826,234	-	270,000	1,096,234
-	73,208,243	36,829,735	110,037,978
-	361,226	150,571	511,797
-	1,156,167	-	1,156,167
<u>58,852,007</u>	<u>74,725,636</u>	<u>115,751,826</u>	<u>560,110,988</u>
<u>4,764,765</u>	<u>(54,318,220)</u>	<u>(15,538,497)</u>	<u>(45,367,948)</u>
-	6,403,500	14,750,229	47,096,358
-	(7,370,148)	(13,664,302)	(68,011,437)
<u>2,758,041</u>	<u>92,425,000</u>	<u>3,919,861</u>	<u>99,102,902</u>
<u>2,758,041</u>	<u>91,458,352</u>	<u>5,005,788</u>	<u>78,187,823</u>
7,522,806	37,140,132	(10,532,709)	32,819,875
<u>10,706,769</u>	<u>85,289,503</u>	<u>116,640,304</u>	<u>250,786,122</u>
<u>\$ 18,229,575</u>	<u>\$ 122,429,635</u>	<u>\$ 106,107,595</u>	<u>\$ 283,605,997</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2002**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Net Activities:**

Net change in fund balances - total governmental funds \$ 32,819,875

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 87,178,589	
Depreciation expense	(23,855,476)	
Loss on disposition of capital assets	<u>(284,247)</u>	
		63,038,866

Bond proceeds, premiums, discounts and bond issue costs are reported as financing sources or uses in governmental funds and contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term obligations and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Proceeds and premiums from issuance of bonds and notes payable	(99,102,902)	
Principal repayments	60,058,006	
Bond issue costs incurred at time of bond issue	773,045	
Amortization of premiums, discounts and bond issue costs	<u>(1,132,683)</u>	
Net adjustment		(39,404,534)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (loss) of the internal service funds is reported with governmental activities.

(2,715,680)

Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available. This adjustment combines the net change of balances of the following:

<b>Revenue:</b>		
Gross receipts tax	1,356,846	
Property tax	(6,837,929)	
Other taxes	113,472	
Interest on loans receivable	115,661	
<b>Expenses:</b>		
Accrued vacation and sick leave pay	(2,768,184)	
Rebatable arbitrage	<u>1,733,808</u>	
Net adjustment		(6,286,326)

Change in net assets of governmental activities		\$ <u>47,452,201</u>
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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
Current property tax	\$ 14,535,000	\$ 14,304,000	\$ 15,233,585	\$ 929,585
Delinquent property tax	600,000	1,648,000	645,997	(1,002,003)
<b>Franchise taxes:</b>				
Telephone	3,955,000	3,955,000	3,923,158	(31,842)
Electric	5,622,000	5,792,000	5,692,827	(99,173)
Gas	2,771,000	1,601,000	1,898,266	297,266
Cable television	2,756,000	3,026,000	3,296,299	270,299
New Mexico Utility	121,000	125,000	135,652	10,652
Telecommunications	557,000	485,000	410,987	(74,013)
LCL Exchange	-	-	11,562	11,562
Gross receipts tax-local option	<u>91,636,000</u>	<u>90,466,000</u>	<u>89,067,926</u>	<u>(1,398,074)</u>
<b>Total taxes</b>	<u>122,553,000</u>	<u>121,402,000</u>	<u>120,316,259</u>	<u>(1,085,741)</u>
<b>Licenses and permits:</b>				
Liquor licenses	235,000	172,000	176,038	4,038
Building inspections/planning	-	-	(43)	(43)
Building permits	2,013,000	2,238,000	2,242,179	4,179
Plumbing/mechanical permits	1,151,000	1,185,000	1,372,140	187,140
Electrical/refrigeration permits	835,000	915,000	984,387	69,387
Plan checking permits	1,420,000	1,541,000	1,457,324	(83,676)
Flood plain certification	138,000	47,000	150,401	103,401
Reroofing permits	61,000	143,000	31,655	(111,345)
Restaurant inspections	486,000	486,000	290,014	(195,986)
Food retailers inspections	83,000	115,000	82,626	(32,374)
Swimming pool inspections	111,000	121,000	71,575	(49,425)
Animal licenses	287,000	287,000	268,613	(18,387)
Right of way usage permits	128,000	185,000	212,522	27,522
Loading zone permits	9,000	9,000	8,789	(211)
Solicitation permits	6,000	6,000	6,970	970
Business registration fees	1,322,000	1,322,000	1,150,511	(171,489)
Other licenses and permits	<u>59,000</u>	<u>72,000</u>	<u>136,942</u>	<u>64,942</u>
<b>Total licenses and permits</b>	<u>8,344,000</u>	<u>8,844,000</u>	<u>8,642,643</u>	<u>(201,357)</u>
<b>Intergovernmental:</b>				
<b>State shared:</b>				
Gross receipts tax	142,847,000	140,992,000	136,655,396	(4,336,604)
Cigarette tax	646,000	580,000	541,317	(38,683)
Motor vehicle license distribution	1,420,000	1,714,000	1,371,930	(342,070)
Municipal road - gas tax	2,295,000	2,360,000	2,438,280	78,280
DWI Fines	-	-	20,567	20,567
<b>Grants:</b>				
Other	21,000	383,000	322,000	(61,000)
<b>Local &amp; Local administered grants:</b>				
Bernalillo County-shared operations	<u>500,000</u>	<u>495,000</u>	<u>169,241</u>	<u>(325,759)</u>
<b>Total intergovernmental</b>	<u>147,729,000</u>	<u>146,524,000</u>	<u>141,518,731</u>	<u>(5,005,269)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued):</b>				
<b>Charges for services:</b>				
<b>General government:</b>				
Photocopying	192,000	192,000	155,870	(36,130)
Engineering fees	1,200,000	1,300,000	1,237,267	(62,733)
Filing of plats and subdivisions	303,000	293,000	285,420	(7,580)
Sign fees	51,000	51,000	57,661	6,661
Zoning fence permit fees	258,000	180,000	167,473	(12,527)
Sale of maps and publications	25,000	25,000	17,148	(7,852)
Records search fees	240,000	260,000	302,935	42,935
Jury duty and witness fees	10,000	13,000	11,384	(1,616)
Planning services	25,940	-	25,940	25,940
Vendor registration fees	52,000	44,000	20,300	(23,700)
Shooting range fees	205,000	160,000	133,808	(26,192)
Building maintenance	227,000	90,000	81,306	(8,694)
Grounds maintenance	521,000	521,000	520,986	(14)
Office services	60,000	33,000	40,258	7,258
Real property services	80,000	80,000	144,212	64,212
Engineering inspections	850,000	700,000	421,044	(278,956)
Engineering surveying	85,000	51,000	84,767	33,767
Legal services	2,382,000	2,382,000	2,219,169	(162,831)
Administrative fees	122,000	42,000	(126,410)	(168,410)
Administrative charges to other funds	20,736,000	21,142,000	19,194,749	(1,947,251)
Other	426,000	473,000	495,412	22,412
<b>Public safety:</b>				
Police services	1,646,000	1,609,000	1,511,894	(97,106)
Fire services	374,000	292,000	193,398	(98,602)
<b>Culture and recreation:</b>				
Community centers	25,000	25,000	17,896	(7,104)
Swimming pools	500,000	525,000	468,713	(56,287)
Sports programs	422,000	422,000	362,017	(59,983)
Other recreation charges	103,000	396,000	408,404	12,404
Tournament/field rental	16,000	16,000	13,635	(2,365)
Latch key program	215,000	215,000	200,489	(14,511)
Extended care fees	29,000	19,000	17,922	(1,078)
Special events	20,000	20,000	24,440	4,440
Museum charges	134,000	98,000	76,211	(21,789)
Zoo admissions	1,369,000	1,400,000	1,319,252	(80,748)
Zoo adopt-an-animal	29,000	29,000	-	(29,000)
Other zoo charges	83,000	83,000	97,647	14,647
Albuquerque aquarium and gardens	1,046,000	850,000	920,150	70,150
Convention center	1,475,000	1,485,000	1,427,674	(57,326)
Facilities concessions	1,010,000	1,219,000	1,180,851	(38,149)
Library services	1,036,000	1,044,000	1,040,723	(3,277)
Cultural affairs	60,000	57,000	43,364	(13,636)

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued):</b>				
<b>Charges for services (continued):</b>				
<b>Highways and streets:</b>				
Compaction tests	603,000	384,000	397,499	13,499
Patching and paving	-	-	44,384	44,384
Excavation permits	325,000	325,000	337,202	12,202
Other street division charges	385,000	542,000	468,003	(73,997)
<b>Health:</b>				
Animal control charges	533,000	424,000	265,247	(158,753)
<b>Human services:</b>				
Meal programs	158,000	178,000	163,550	(14,450)
Memberships	55,000	71,000	72,412	1,412
Coffee	14,000	14,000	16,280	2,280
Dances	30,000	30,000	34,621	4,621
Other	113,000	19,000	22,975	3,975
<b>Total charges for services</b>	<u>39,833,000</u>	<u>39,823,000</u>	<u>36,637,552</u>	<u>(3,185,448)</u>
<b>Fines and forfeits:</b>				
Air quality penalties	30,000	40,000	23,650	(16,350)
<b>Total fines and forfeits</b>	<u>30,000</u>	<u>40,000</u>	<u>23,650</u>	<u>(16,350)</u>
<b>Interest:</b>				
Interest on investments	2,462,000	1,506,000	973,684	(532,316)
<b>Miscellaneous:</b>				
Rental of City property	100,000	120,000	131,698	11,698
Community center rentals	174,000	150,000	153,475	3,475
Sales of real property	-	228,000	563,272	335,272
Sales of other property	30,000	30,000	-	(30,000)
Cash overages and shortages, net	-	-	(243)	(243)
Cash discounts earned	50,000	5,000	7,367	2,367
Other miscellaneous	105,000	145,000	(272,706)	(417,706)
<b>Total miscellaneous</b>	<u>459,000</u>	<u>678,000</u>	<u>582,863</u>	<u>(95,137)</u>
<b>Total revenues</b>	<u>321,410,000</u>	<u>318,817,000</u>	<u>308,695,382</u>	<u>(10,121,618)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Accounting	2,827,000	2,723,000	2,700,020	22,980
Chief Administrative Officer	1,262,000	1,262,000	1,171,325	90,675
City buildings	4,184,000	4,184,000	3,933,127	250,873
City wide financial support	623,000	455,000	448,067	6,933
City/County building rental	2,461,000	2,237,000	2,237,000	-
Community revitalization	1,081,000	1,053,000	1,040,496	12,504
Compensation in lieu of sick leave	298,000	298,000	295,116	2,884
Council services	1,560,000	1,490,000	1,483,814	6,186
Culture	19,000	19,000	18,956	44
Dues and memberships	318,000	318,000	316,300	1,700
Early retirement	3,482,000	3,928,000	4,603,690	(675,690)
Economic development	120,000	420,000	385,127	34,873
Information systems	7,131,000	6,974,000	6,897,825	76,175
International trade	15,000	15,000	14,862	138
Legal services	4,889,000	4,492,000	4,450,146	41,854
Legislative coordinator	236,000	283,000	282,833	167
Mayor's office	737,000	718,000	638,105	79,895
Office of capital implementation	1,850,000	1,850,000	1,742,480	107,520
Office of city clerk	1,135,000	1,126,000	1,113,631	12,369
Office of economic development	430,000	430,000	337,970	92,030
Office of internal audit	783,000	753,000	738,487	14,513
Office of management and budget	888,000	888,000	874,944	13,056
Office of management and operational improvement	316,000	316,000	262,363	53,637
Personnel services	1,780,000	1,928,000	1,769,862	158,138
Strategic support - Planning	925,000	864,000	857,013	6,987
Plaza del Sol building	896,000	896,000	896,000	-
Purchasing	1,160,000	1,053,000	933,229	119,771
Real property	588,000	512,000	501,746	10,254
Strategic support - DFAS	390,000	363,000	339,948	23,052
Treasury	1,413,000	1,359,000	1,321,118	37,882
Utility franchising office	393,000	778,000	768,994	9,006
<b>Total general government</b>	<u>44,190,000</u>	<u>43,985,000</u>	<u>43,374,594</u>	<u>610,406</u>



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety:</b>				
<b>Police Department:</b>				
Administrative	3,257,000	3,692,077	3,440,492	251,585
Basic sworn overtime	3,731,000	3,938,000	3,547,107	390,893
Central support services	19,363,000	20,220,386	19,488,532	731,854
Community partner/crime prevention	409,000	375,361	368,964	6,397
Investigative services	13,448,000	13,916,278	13,570,780	345,498
Neighborhood Policing	41,944,000	43,116,852	42,636,448	480,404
Off duty police overtime	1,072,000	1,072,000	992,579	79,421
<b>Fire Department:</b>				
AFD headquarters	1,320,000	1,312,684	1,267,363	45,321
Dispatch	1,585,000	1,785,000	1,762,916	22,084
Emergency Management	71,000	39,000	38,236	764
Fire dept/CIP funded employees	83,000	83,000	64,936	18,064
Fire dept/technical services	288,000	306,956	303,595	3,361
Fire prevention/fire marshal's office	2,470,000	2,401,467	2,305,678	95,789
Fire suppression	25,478,000	26,810,000	26,807,744	2,256
Fire training and safety	1,444,000	1,394,000	1,682,918	(288,918)
Logistics	1,020,000	1,128,000	1,106,280	21,720
Paramedic rescue	<u>8,095,000</u>	<u>8,600,000</u>	<u>8,084,136</u>	<u>515,864</u>
<b>Total public safety</b>	<u>125,078,000</u>	<u>130,191,061</u>	<u>127,468,704</u>	<u>2,722,357</u>
<b>Culture and recreation:</b>				
Biological park	9,213,000	8,780,000	8,663,327	116,673
Community events	1,566,000	1,514,000	1,388,276	125,724
Convention center	3,678,000	3,861,000	3,752,072	108,928
Explora Science Center	544,000	499,000	499,000	-
Museum	2,171,000	2,003,000	1,939,687	63,313
Quality parks & trails system	846,000	846,000	806,817	39,183
Strategic support - Senior Affairs	798,000	768,000	747,762	20,238
Strategic support - PR	752,000	752,000	741,344	10,656
Parks land management	11,299,000	11,173,250	10,565,106	608,144
Promote safe use of firearms	279,000	279,000	260,730	18,270
Provide community recreation	5,801,000	5,548,000	5,316,804	231,196
Provide quality recreation	3,748,000	3,612,865	3,578,924	33,941
Public library	8,255,000	8,036,000	7,903,947	132,053
Strategic support - CS	<u>3,105,000</u>	<u>2,996,500</u>	<u>2,988,253</u>	<u>8,247</u>
<b>Total culture and recreation</b>	<u>52,055,000</u>	<u>50,668,615</u>	<u>49,152,049</u>	<u>1,516,566</u>
<b>Public works:</b>				
Code administration	1,643,000	1,642,000	1,631,443	10,557
Construction management	3,981,000	3,618,000	3,380,550	237,450
Development services	1,223,000	1,219,000	1,165,700	53,300
Storm drainage/maintenance	<u>2,673,000</u>	<u>2,400,000</u>	<u>2,393,359</u>	<u>6,641</u>
<b>Total public works</b>	<u>9,520,000</u>	<u>8,879,000</u>	<u>8,571,052</u>	<u>307,948</u>
<b>Highways and streets:</b>				
GF street services	<u>12,659,000</u>	<u>12,959,000</u>	<u>12,897,560</u>	<u>61,440</u>
<b>Total highways and streets</b>	<u>12,659,000</u>	<u>12,959,000</u>	<u>12,897,560</u>	<u>61,440</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2002

Expenditures (continued):	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Current (continued):</b>				
<b>Health:</b>				
Animal services	4,001,000	3,692,000	3,604,485	87,515
Consumer protection	1,094,000	974,000	973,527	473
Environmental services	1,504,000	1,402,000	1,336,158	65,842
Program support	<u>429,000</u>	<u>398,000</u>	<u>374,117</u>	<u>23,883</u>
<b>Total health</b>	<u>7,028,000</u>	<u>6,466,000</u>	<u>6,288,287</u>	<u>177,713</u>
<b>Human services:</b>				
Access to basic services	277,000	263,000	200,395	62,605
Develop affordable housing	617,000	491,000	490,775	225
Develop community based activity	228,000	153,000	153,000	-
Development process & policy	4,737,000	4,677,000	4,662,086	14,914
Plan and coordinate	2,019,000	2,125,000	2,054,441	70,559
Long-range planning	435,000	414,000	409,666	4,334
Offer health & social services	1,914,000	1,693,000	1,576,726	116,274
Partner with public education	5,411,000	5,592,000	5,365,948	226,052
Prevent and reduce youth gangs	1,012,000	1,003,000	1,003,000	-
Prevent neighborhood deterioration	91,000	47,000	44,515	2,485
Provide early childhood education	4,677,000	4,223,000	4,211,365	11,635
Provide emergency shelter	220,000	162,000	161,750	250
Provide mental health	332,000	217,000	216,980	20
Provide transitional housing	218,000	214,000	196,578	17,422
Reduce DWI	93,000	93,000	-	93,000
Substance abuse treatment/prevention	2,789,000	2,770,000	2,726,667	43,333
Supportive services to homeless	362,000	237,000	222,693	14,307
Train lower income persons	601,000	560,000	542,897	17,103
Volunteerism	10,000	10,000	9,999	1
Well-being	<u>2,639,000</u>	<u>2,654,000</u>	<u>2,546,048</u>	<u>107,952</u>
<b>Total human services</b>	<u>28,682,000</u>	<u>27,598,000</u>	<u>26,795,529</u>	<u>802,471</u>
<b>Total expenditures</b>	<u>279,212,000</u>	<u>280,746,676</u>	<u>274,547,775</u>	<u>6,198,901</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>42,198,000</u>	<u>38,070,324</u>	<u>34,147,607</u>	<u>(3,922,717)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	7,051,000	8,962,000	8,885,629	(76,371)
Operating transfers out	<u>(45,305,000)</u>	<u>(46,350,000)</u>	<u>(46,616,436)</u>	<u>(266,436)</u>
<b>Total other financing sources and uses</b>	<u>(38,254,000)</u>	<u>(37,388,000)</u>	<u>(37,730,807)</u>	<u>(342,807)</u>
<b>Net change in fund balance</b>	3,944,000	682,324	(3,583,200)	(4,265,524)
<b>Fund balance, July 1</b>	<u>40,182,664</u>	<u>40,182,664</u>	<u>40,182,664</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 44,126,664</u>	<u>\$ 40,864,988</u>	<u>\$ 36,599,464</u>	<u>\$ (4,265,524)</u>

See Notes to Financial Statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CORRECTIONS AND DETENTION FUND**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
<b>Intergovernmental:</b>				
County-shared operations	\$ 15,152,000	\$ 21,278,000	\$ 19,546,000	\$ (1,732,000)
<b>Charges for services:</b>				
Care of prisoners-state	300,000	289,000	212,604	(76,396)
Care of prisoners-other	-	-	73,596	73,596
Commissary	77,000	77,000	81,168	4,168
Community custody program fees	193,000	199,000	145,624	(53,376)
CCP reimbursement	226,000	434,000	437,067	3,067
Detoxification reimbursement	1,006,000	1,018,000	945,650	(72,350)
Recycling services	82,000	82,000	82,000	-
<b>Total charges for services</b>	<u>1,884,000</u>	<u>2,099,000</u>	<u>1,977,709</u>	<u>(121,291)</u>
<b>Interest:</b>				
Interest on investments	-	-	(201,618)	(201,618)
<b>Miscellaneous:</b>				
Telephone royalties	400,000	187,000	113,755	(73,245)
Other	-	-	374,295	374,295
<b>Total miscellaneous</b>	<u>400,000</u>	<u>187,000</u>	<u>488,050</u>	<u>301,050</u>
<b>Total revenues</b>	<u>17,436,000</u>	<u>23,564,000</u>	<u>21,810,141</u>	<u>(1,753,859)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Public safety:</b>				
Administrative support	3,074,000	3,086,302	3,047,937	38,365
Community custody	448,000	749,000	798,243	(49,243)
Correction and detention	26,046,000	30,003,000	30,090,057	(87,057)
Detoxification program	1,084,000	1,084,000	1,006,443	77,557
Metro criminal justice coordinating council	-	146,000	126,064	19,936
Indirect overhead charge	1,569,000	1,165,000	1,165,000	-
<b>Total expenditures</b>	<u>32,221,000</u>	<u>36,233,302</u>	<u>36,233,744</u>	<u>(442)</u>
<b>(Deficiency) of revenues over expenditures</b>	<u>(14,785,000)</u>	<u>(12,669,302)</u>	<u>(14,423,603)</u>	<u>(1,754,301)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	15,152,000	17,057,000	17,057,000	-
Operating transfers out	(361,000)	(361,000)	(360,551)	449
<b>Total other financing sources (uses)</b>	<u>14,791,000</u>	<u>16,696,000</u>	<u>16,696,449</u>	<u>449</u>
<b>Net change in fund balance</b>	6,000	4,026,698	2,272,846	(1,753,852)
<b>Fund balance (deficit), July 1</b>	<u>(2,033,118)</u>	<u>(2,033,118)</u>	<u>(2,033,118)</u>	<u>-</u>
<b>Fund balance (deficit), June 30</b>	<u>\$ (2,027,118)</u>	<u>\$ 1,993,580</u>	<u>\$ 239,728</u>	<u>\$ (1,753,852)</u>

See Notes to Financial Statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL OBLIGATION BOND DEBT SERVICE FUND**  
Year ended June 30, 2002

	Original Budget	Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
Current property taxes	\$ 59,512,000	\$ 59,512,000	\$ 62,555,114	\$ 3,043,114
Delinquent property taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>154,729</u>	<u>(1,895,271)</u>
<b>Total taxes</b>	<b>61,562,000</b>	<b>61,562,000</b>	<b>62,709,843</b>	<b>1,147,843</b>
<b>Interest:</b>				
Interest on investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>906,929</u>	<u>(93,071)</u>
<b>Total revenues</b>	<b><u>62,562,000</u></b>	<b><u>62,562,000</u></b>	<b><u>63,616,772</u></b>	<b><u>1,054,772</u></b>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal	52,810,000	52,810,000	49,810,000	3,000,000
Interest	10,156,000	9,356,000	8,215,773	1,140,227
Commitment and other fees	<u>100,000</u>	<u>900,000</u>	<u>826,234</u>	<u>73,766</u>
<b>Total expenditures</b>	<b><u>63,066,000</u></b>	<b><u>63,066,000</u></b>	<b><u>58,852,007</u></b>	<b><u>4,213,993</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(504,000)</b>	<b>(504,000)</b>	<b>4,764,765</b>	<b>5,268,765</b>
<b>Other financing sources:</b>				
Premium on bonds sold	<u>-</u>	<u>-</u>	<u>2,758,041</u>	<u>2,758,041</u>
<b>Net change in fund balance</b>	<b>(504,000)</b>	<b>(504,000)</b>	<b>7,522,806</b>	<b>8,026,806</b>
<b>Fund balance, July 1</b>	<b><u>10,706,769</u></b>	<b><u>10,706,769</u></b>	<b><u>10,706,769</u></b>	<b><u>-</u></b>
<b>Fund balance, June 30</b>	<b><u>\$ 10,202,769</u></b>	<b><u>\$ 10,202,769</u></b>	<b><u>\$ 18,229,575</u></b>	<b><u>\$ 8,026,806</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - NON MAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE AND DEBT SERVICE FUNDS**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 12,865,000	\$ 12,765,000	\$ 12,750,039	\$ (14,961)
Licenses and permits	1,616,000	1,745,000	1,753,516	8,516
Intergovernmental	1,029,000	1,054,000	1,057,163	3,163
Charges for services	5,016,000	4,793,000	4,764,304	(28,696)
Interest	2,041,000	2,089,000	991,033	(1,097,967)
Miscellaneous	-	2,000	5,156	3,156
<b>Total revenues</b>	<u>22,567,000</u>	<u>22,448,000</u>	<u>21,321,211</u>	<u>(1,126,789)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	8,130,000	7,956,000	7,810,061	145,939
Public safety	730,000	830,000	789,077	40,923
Culture and recreation	2,606,000	2,543,000	2,523,063	19,937
Highways and streets	6,047,000	5,284,000	5,196,642	87,358
Health	1,885,000	1,768,000	1,692,310	75,690
Debt service	<u>10,202,000</u>	<u>10,202,000</u>	<u>8,919,735</u>	<u>1,282,265</u>
<b>Total expenditures</b>	<u>29,600,000</u>	<u>28,583,000</u>	<u>26,930,888</u>	<u>1,652,112</u>
<b>Excess (Deficiency) of revenues over expenditures:</b>	<u>(7,033,000)</u>	<u>(6,135,000)</u>	<u>(5,609,677)</u>	<u>525,323</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	11,290,000	10,391,000	10,769,921	378,921
Operating transfers out	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>-</u>
<b>Net other financing sources (uses)</b>	<u>4,681,000</u>	<u>3,782,000</u>	<u>4,160,921</u>	<u>378,921</u>
<b>Change in fund balances</b>	<u>(2,352,000)</u>	<u>(2,353,000)</u>	<u>(1,448,756)</u>	<u>904,244</u>
<b>Fund balance, July 1</b>	<u>32,012,416</u>	<u>32,012,416</u>	<u>32,012,416</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 29,660,416</u>	<u>\$ 29,659,416</u>	<u>30,563,660</u>	<u>\$ 904,244</u>
 			 (1,462,665)	
<b>Change in fund balances</b>			<u>23,881,613</u>	
<b>Fund balance, July 1</b>			<u>22,418,948</u>	
<b>Fund balance, June 30</b>			<u>\$ 52,982,608</u>	
<b>Total Fund balance, June 30</b>			<u>\$ 52,982,608</u>	
<b>Fund balance by type, June 30</b>				
Special revenue funds			\$ 22,307,007	
Debt service funds			<u>30,675,601</u>	
			<u>\$ 52,982,608</u>	

See Notes to Financial Statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2002**

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, investments, and accrued interest	\$ 5,192,722	\$ 11,376,071
Receivables, net of allowance for uncollectibles:		
Accounts	3,247,523	17,379,835
Standby charges	-	71,733
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	-	-
<b>Total current assets</b>	<b>8,440,245</b>	<b>28,827,639</b>
<b>Restricted assets:</b>		
Cash, investments, and accrued interest	61,295,786	36,154,248
Cash with fiscal agents	7,981,004	40,156,598
Accounts receivable	126,275	513,474
Escrow deposits	-	142,497
<b>Total restricted assets</b>	<b>69,403,065</b>	<b>76,966,817</b>
<b>Property and equipment:</b>		
Land	32,916,822	22,389,226
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	142,068,780	2,257,926
Runways and other improvements	242,350,627	-
Improvements other than buildings	98,789,651	1,213,294,515
Machinery and equipment	11,961,735	36,613,865
Other	640,546	-
	536,358,238	1,274,555,532
Less accumulated depreciation and amortization	240,174,799	624,826,480
Net property and equipment	296,183,439	649,729,052
Construction work in progress	-	27,595,615
<b>Total property and equipment</b>	<b>296,183,439</b>	<b>677,324,667</b>
<b>Other assets</b>		
Capitalized bond issuance costs	1,484,609	540,462
Land - acquired under claim settlement	-	-
Purchased water rights, net of accumulated amortization	-	27,112,946
<b>Total other assets</b>	<b>1,484,609</b>	<b>27,653,408</b>
<b>Total Assets</b>	<b>375,511,358</b>	<b>810,772,531</b>

Enterprise Funds

<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
2,670,984	147,882	125,744	23,571,968	2,029,360
-	-	-	71,733	-
-	-	-	-	300,963
-	489,555	-	489,555	63,060
-	-	-	-	6,679
<u>612,970</u>	<u>139,851</u>	<u>535,847</u>	<u>1,288,668</u>	<u>1,848,658</u>
<u>7,500,820</u>	<u>9,236,397</u>	<u>3,974,962</u>	<u>57,980,063</u>	<u>30,895,548</u>
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	2,094	5,084,860	5,726,703	-
-	<u>452,753</u>	-	<u>595,250</u>	-
<u>15,310,119</u>	<u>454,847</u>	<u>22,609,004</u>	<u>184,743,852</u>	-
5,165,504	3,767,389	7,177,000	71,415,941	283,842
-	-	-	7,630,077	-
31,429,896	47,721,432	49,286,763	272,764,797	406,001
-	-	-	242,350,627	-
-	-	-	1,312,084,166	765,388
53,437,848	327,741	52,555,759	154,896,948	1,694,109
-	-	-	640,546	-
<u>90,033,248</u>	<u>51,816,562</u>	<u>109,019,522</u>	<u>2,061,783,102</u>	<u>3,149,340</u>
<u>42,708,399</u>	<u>33,581,502</u>	<u>52,269,116</u>	<u>993,560,296</u>	<u>2,263,063</u>
47,324,849	18,235,060	56,750,406	1,068,222,806	886,277
3,938,420	986,190	19,373,329	51,893,554	-
<u>51,263,269</u>	<u>19,221,250</u>	<u>76,123,735</u>	<u>1,120,116,360</u>	<u>886,277</u>
165,857	-	422,960	2,613,888	-
-	-	-	-	1,930,000
-	-	-	27,112,946	-
<u>165,857</u>	-	<u>422,960</u>	<u>29,726,834</u>	<u>1,930,000</u>
<u>74,240,065</u>	<u>28,912,494</u>	<u>103,130,661</u>	<u>1,392,567,109</u>	<u>33,711,825</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2002**

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	332,316	2,353,529
Accrued payroll	72,730	217,585
Accrued vacation and sick leave pay	599,809	1,559,122
Accrued interest	-	545,918
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	-	193,695
Due to other governments	-	-
Current portion of claims and judgements payable	-	-
Current portion of water rights contract and loan agreements	-	3,384,676
<b>Total current liabilities</b>	<b>1,004,855</b>	<b>8,254,525</b>
<b>Liabilities payable from restricted assets:</b>		
Construction contracts	284,289	1,788,606
Retainage	-	294,357
Current portion of revenue bonds payable	4,975,000	31,160,000
Accrued interest	3,298,150	6,096,370
Deferred revenue	55,250	7,524
Other	-	23,040
<b>Total liabilities payable from restricted assets</b>	<b>8,612,689</b>	<b>39,369,897</b>
<b>Non current liabilities excluding current portion:</b>		
Revenue bonds, net of unamortized discounts	219,466,610	240,843,254
Water rights contract and loan agreements	-	45,752,329
Claims and judgements payable	-	-
Accrued vacation and sick leave pay	266,219	730,530
<b>Total non current liabilities</b>	<b>219,732,829</b>	<b>287,326,113</b>
<b>Other liabilities:</b>		
Deferred revenue	198,201	1,507,030
Advances from other funds	-	-
<b>Total other liabilities</b>	<b>198,201</b>	<b>1,507,030</b>
<b>Total liabilities</b>	<b>229,548,574</b>	<b>336,457,565</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	93,445,989	409,080,380
<b>Restricted:</b>		
Debt service	23,985,101	5,730,725
Construction	17,931,927	11,416,968
Unrestricted	10,599,767	48,086,893
<b>Total net assets</b>	<b>\$ 145,962,784</b>	<b>\$ 474,314,966</b>

See Notes to Financial Statements



Enterprise Funds

<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
624,815	357,753	257,928	3,926,341	2,099,067
108,018	-	221,235	619,568	76,641
965,230	286	1,172,934	4,297,381	467,887
-	-	-	545,918	-
-	-	-	-	45,579
-	-	153,763	153,763	-
62,827	146,209	-	402,731	-
-	12,640	-	12,640	-
-	-	-	-	13,154,499
-	-	-	3,384,676	-
<u>1,760,890</u>	<u>516,888</u>	<u>1,805,860</u>	<u>13,343,018</u>	<u>15,843,673</u>
118,031	-	3,874,170	6,065,096	-
-	-	113,746	408,103	-
2,650,000	-	125,000	38,910,000	-
868,069	-	76,947	10,339,536	-
-	2,094	-	64,868	-
<u>1,196,496</u>	<u>452,753</u>	<u>-</u>	<u>1,672,289</u>	<u>-</u>
<u>4,832,596</u>	<u>454,847</u>	<u>4,189,863</u>	<u>57,459,892</u>	<u>-</u>
33,244,203	-	2,289,840	495,843,907	-
-	-	-	45,752,329	-
-	-	-	-	26,144,014
<u>820,795</u>	<u>121,923</u>	<u>477,882</u>	<u>2,417,349</u>	<u>198,721</u>
<u>34,064,998</u>	<u>121,923</u>	<u>2,767,722</u>	<u>544,013,585</u>	<u>26,342,735</u>
-	-	9,085	1,714,316	-
-	-	25,600,000	25,600,000	-
-	-	25,609,085	27,314,316	-
<u>40,658,484</u>	<u>1,093,658</u>	<u>34,372,530</u>	<u>642,130,811</u>	<u>42,186,408</u>
23,248,352	19,221,250	56,226,363	601,222,334	886,277
634,474	-	952,406	31,302,706	-
4,459,866	-	9,897,227	43,705,988	-
<u>5,238,889</u>	<u>8,597,586</u>	<u>1,682,135</u>	<u>74,205,270</u>	<u>(9,360,860)</u>
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2002**

	<u>Enterprise Funds</u>	
	<u>Airport Fund</u>	<u>Joint Water and Sewer Fund</u>
<b>Operating revenues:</b>		
Charges for services	\$ 50,401,858	\$ 113,780,763
<b>Operating expenses:</b>		
Salaries and fringe benefits	11,158,617	25,432,730
Professional services	159,353	3,950,668
Utilities	2,230,402	7,581,349
Supplies	432,271	1,306,521
Travel	20,141	12,967
Fuels, repairs and maintenance	1,941,528	7,168,651
Contractual services	3,679,740	3,144,879
Claims and judgements	-	-
Insurance premiums	-	-
Other operating expenses	1,830,858	5,780,796
Depreciation	28,417,108	39,355,206
Amortization	-	348,400
Bad debt expense	-	597,741
<b>Total operating expenses</b>	<u>49,870,018</u>	<u>94,679,908</u>
<b>Operating income (loss)</b>	<u>531,840</u>	<u>19,100,855</u>
<b>Non-operating revenues (expenses):</b>		
Interest on investments	950,033	2,031,573
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	7,083,472	-
Gain (loss) on disposition of property and equipment	(10,253)	66,375
Interest expense	(8,274,078)	(12,205,596)
Bond issue costs	(279,327)	(35,013)
City water service expansion charges	-	11,908,616
Fiscal agent fees	(2,100,656)	(29,070)
Other	74,077	212,264
<b>Total non-operating revenues (expenses)</b>	<u>(2,556,732)</u>	<u>1,949,149</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(2,024,892)</u>	<u>21,050,004</u>
Capital contributions	375,582	14,995,201
Operating transfers in	-	360,551
Operating transfers out	-	(4,962,497)
<b>Change in net assets</b>	<u>(1,649,310)</u>	<u>31,443,259</u>
<b>Net assets (deficit), July 1</b>	<u>147,612,094</u>	<u>442,871,707</u>
<b>Net assets (deficit), June 30</b>	<u>\$ 145,962,784</u>	<u>\$ 474,314,966</u>

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 39,223,023	\$ 1,564,757	\$ 10,339,857	\$ 215,310,258	\$ 56,935,041
18,684,310	2,595,247	23,134,047	81,004,951	6,960,170
158,709	34,514	2,605	4,305,849	922,688
331,558	519,164	1,389,557	12,052,030	150,714
1,055,555	-	280,041	3,074,388	1,293,244
11,955	-	7,467	52,530	5,313
3,838,928	963,856	3,169,019	17,081,982	2,529,616
1,728,665	-	1,162,114	9,715,398	1,414,231
-	-	-	-	15,939,186
-	-	-	-	28,514,059
3,828,004	1,093,205	3,069,914	15,602,777	2,288,309
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
<u>186,696</u>	<u>16,671</u>	<u>18,078</u>	<u>819,186</u>	<u>22,720</u>
<u>34,517,108</u>	<u>7,399,935</u>	<u>38,249,339</u>	<u>224,716,308</u>	<u>60,207,391</u>
<u>4,705,915</u>	<u>(5,835,178)</u>	<u>(27,909,482)</u>	<u>(9,406,050)</u>	<u>(3,272,350)</u>
208,591	264,907	1,076,159	4,531,263	797,513
-	21,969,722	-	21,969,722	-
-	(16,815,828)	-	(16,815,828)	-
-	-	-	7,083,472	-
(61,079)	3,341	-	(1,616)	23,111
(1,266,242)	-	(397,664)	(22,143,580)	-
(53,453)	-	(49,182)	(416,975)	-
-	-	-	11,908,616	-
-	-	(100,281)	(2,230,007)	-
<u>12,212</u>	<u>249,487</u>	<u>1,886,822</u>	<u>2,434,862</u>	<u>5,046</u>
<u>(1,159,971)</u>	<u>5,671,629</u>	<u>2,415,854</u>	<u>6,319,929</u>	<u>825,670</u>
3,545,944	(163,549)	(25,493,628)	(3,086,121)	(2,446,680)
-	-	9,168,346	24,539,129	-
-	-	27,132,157	27,492,708	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
2,521,621	(163,549)	10,485,066	42,637,087	(2,715,680)
<u>31,059,960</u>	<u>27,982,385</u>	<u>58,273,065</u>	<u>707,799,211</u>	<u>(5,758,903)</u>
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Cash received from customers	\$ 51,298,808	\$ 112,715,997
Cash payments to employees for services	(10,971,112)	(25,064,588)
Cash payments to suppliers for goods and services	(8,934,331)	(28,174,027)
Indirect overhead	(1,201,325)	(2,151,304)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	74,077	156,395
Net cash provided by (used for) operating activities	30,266,117	57,482,473
Cash flow from noncapital financing activities:		
Principal paid on water rights contract	-	(706,800)
Interest paid on water rights contract	-	(670,800)
Purchased water rights	-	(1,549,617)
Operating grants received	-	-
Housing assistance payments	-	-
Interest paid on advance from other funds	-	-
Operating transfers-in from other funds	-	-
Operating transfers-out to other funds	-	(4,962,497)
Net cash provided by (used for) noncapital financing activities	-	(7,889,714)
Proceeds from sale of revenue and refunding bonds	43,661,418	30,000,000
Proceeds from notes payable	-	3,063,767
Capitalized bond issuance costs	(675,813)	(335,882)
Principal paid on revenue bond maturities and refunded bonds	(58,266,000)	(31,160,000)
Interest and other expenses paid on revenue bond maturities	(9,621,063)	(10,598,258)
Principal paid on notes payable	-	(2,353,480)
Interest paid on notes payable	-	(1,622,390)
Acquisition and construction of capital assets	(8,660,952)	(35,235,756)
Capital grants received	65,645	481,975
Passenger facilities charges	7,083,472	-
Cash contributions in aid of construction	-	(302,151)
City water service expansion charges	-	11,908,616
Proceeds from sale of property and equipment	15,971	72,942
Net cash used for capital and related financing activities	(26,397,322)	(36,080,618)
Cash flows from investing activities:		
Interest received on investments	950,033	2,021,796
Net cash provided by investing activities	950,033	2,021,796
Net increase (decrease) in cash and cash equivalents	4,818,828	15,533,937
Cash and cash equivalents, July 1	61,669,680	32,138,879
Cash and cash equivalents, June 30	\$ 66,488,508	\$ 47,672,816

See Notes to Financial Statements

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 39,250,184	\$ 1,513,486	\$ 10,371,197	\$ 215,149,672	\$ 61,921,124
(18,369,806)	(2,600,613)	(22,783,616)	(79,789,735)	(6,860,149)
(9,264,266)	(2,566,789)	(7,355,735)	(56,295,148)	(40,656,909)
(1,378,701)	-	(1,606,364)	(6,337,694)	(2,171,082)
-	-	-	-	(10,453,105)
<u>12,212</u>	<u>242,399</u>	<u>908,606</u>	<u>1,393,689</u>	<u>5,045</u>
<u>10,249,623</u>	<u>(3,411,517)</u>	<u>(20,465,912)</u>	<u>74,120,784</u>	<u>1,784,924</u>
-	-	-	(706,800)	-
-	-	-	(670,800)	-
-	-	-	(1,549,617)	-
-	18,319,020	978,216	19,297,236	-
-	(16,815,828)	-	(16,815,828)	-
-	-	(720,263)	(720,263)	-
-	-	27,132,157	27,132,157	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
<u>(1,024,323)</u>	<u>1,503,192</u>	<u>27,068,301</u>	<u>19,657,456</u>	<u>(269,000)</u>
-	-	-	73,661,418	-
-	-	-	3,063,767	-
(9,936)	-	-	(1,021,631)	-
(2,650,000)	-	(125,000)	(92,201,000)	-
(1,199,758)	-	(218,016)	(21,637,095)	-
-	-	-	(2,353,480)	-
-	-	-	(1,622,390)	-
(3,335,550)	(1,030,156)	(25,368,969)	(73,631,383)	(1,006)
-	1,135,246	5,732,967	7,415,833	-
-	-	-	7,083,472	-
-	-	-	(302,151)	-
-	-	-	11,908,616	-
<u>20,091</u>	<u>3,341</u>	<u>-</u>	<u>112,345</u>	<u>23,111</u>
<u>(7,175,153)</u>	<u>108,431</u>	<u>(19,979,018)</u>	<u>(89,523,680)</u>	<u>22,105</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
3,552,893	(1,534,987)	(12,201,451)	10,169,220	2,335,542
<u>12,456,023</u>	<u>10,446,849</u>	<u>32,837,019</u>	<u>149,548,450</u>	<u>24,311,286</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2002

	<b>Enterprise Funds</b>	
	<b>Airport Fund</b>	<b>Joint Water and Sewer Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
<b>Operating income (loss)</b>	\$ 531,840	\$ 19,100,855
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>		
<b>Depreciation</b>	28,417,108	39,355,206
<b>Amortization</b>	-	348,400
<b>Miscellaneous cash received</b>	74,077	156,395
<b>Provision for claims and judgements</b>	-	-
<b>Decrease (increase) in assets:</b>		
<b>Receivables</b>	833,541	(1,064,766)
<b>Inventories of supplies</b>	-	-
<b>Due from other governments</b>	-	-
<b>Prepaid expenses</b>	-	-
<b>Increase (decrease) in liabilities:</b>		
<b>Accounts payable</b>	158,637	(781,759)
<b>Accrued employee compensation and benefits</b>	187,505	368,142
<b>Fare tokens outstanding and deposits</b>	-	-
<b>Deferred revenue</b>	63,409	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 30,266,117</b>	<b>\$ 57,482,473</b>
 <b>Cash and cash equivalents at June 30 consist of:</b>		
<b>Current assets:</b>		
<b>Cash, investments, and accrued interest</b>	\$ 5,192,722	\$ 11,376,071
<b>Restricted assets:</b>		
<b>Cash, investments, and accrued interest</b>	61,295,786	36,154,248
<b>Cash with fiscal agents</b>	7,981,004	40,156,598
<b>Escrow deposits</b>	-	142,497
<b>Less matured principal and interest on revenue bonds</b>	(7,981,004)	(40,156,598)
<b>Total cash and cash equivalents, June 30</b>	<b>\$ 66,488,508</b>	<b>\$ 47,672,816</b>
 <b>Non cash transactions:</b>		
<b>Unrealized gains (losses) on investments</b>	\$ (158,947)	\$ (25,513)
<b>Transfer of fixed assets from the Capital Projects Fund</b>	-	-
<b>HUD payment of third party guaranteed debt</b>	-	-

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,705,915	\$ (5,835,178)	\$ (27,909,482)	\$ (9,406,050)	\$ (3,272,350)
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
12,212	242,399	908,606	1,393,689	5,045
-	-	-	-	5,486,081
27,161	(53,217)	18,171	(239,110)	(1,894,836)
103,493	32,069	75,875	211,437	107,596
-	-	-	-	12,797
-	-	-	-	10,872
393,610	11,881	60,821	(156,810)	1,062,557
314,504	(5,366)	350,431	1,215,216	100,021
-	18,617	13,169	31,786	-
-	-	-	63,409	-
<u>\$ 10,249,623</u>	<u>\$ (3,411,517)</u>	<u>\$ (20,465,912)</u>	<u>\$ 74,120,784</u>	<u>\$ 1,784,924</u>
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	452,753	-	595,250	-
<u>(3,518,069)</u>	<u>-</u>	<u>(201,947)</u>	<u>(51,857,618)</u>	<u>-</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>
\$ (1,570)	\$ -	\$ (340,230)	\$ (526,260)	\$ (16,099)
-	-	98,788	98,788	-
-	446,365	-	446,365	-

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**AIRPORT FUND**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 52,752,000	\$ 49,624,000	\$ 50,401,858	\$ 777,858
Passenger Facility Charge	7,450,000	8,390,000	7,083,472	(1,306,528)
Interest on investments	1,418,000	1,198,000	1,095,920	(102,080)
Proceeds of refunding bonds	-	43,662,000	43,661,418	(582)
Other miscellaneous revenue	-	-	99,836	99,836
Transfer from non-restricted cash to cash restricted for debt service	<u>29,452,000</u>	<u>26,914,000</u>	<u>26,240,822</u>	<u>(673,178)</u>
<b>Total revenues</b>	<u>91,072,000</u>	<u>129,788,000</u>	<u>128,583,326</u>	<u>(1,204,674)</u>
<b>Expenses:</b>				
Aviation operations	21,346,000	21,214,000	20,235,349	978,651
Airport capital and deferred maintenance	6,000,000	6,000,000	6,000,000	-
Economic Development	30,000	30,000	-	30,000
Payments for General Fund services	1,208,000	1,208,000	1,201,325	6,675
Transfer from non-restricted cash to cash restricted for debt service	29,452,000	27,461,000	26,240,822	1,220,178
Debt service	30,080,000	27,832,000	22,966,066	4,865,934
Payment to refunded bond escrow agent	<u>-</u>	<u>48,294,000</u>	<u>47,866,000</u>	<u>428,000</u>
<b>Total expenses</b>	<u>88,116,000</u>	<u>132,039,000</u>	<u>124,509,562</u>	<u>7,529,438</u>
<b>Excess of revenues over (under) expenses</b>	<u>\$ 2,956,000</u>	<u>\$ (2,251,000)</u>	4,073,764	<u>\$ 6,324,764</u>
<b>Revenues (expenses) not budgeted:</b>				
Interest on investments of restricted assets			1,138,633	
Depreciation			(28,417,108)	
Amortization			(899,932)	
Bad debt expense			-	
Loss on disposition of property and equipment			(10,253)	
Unrealized losses on investments			(158,947)	
Miscellaneous expense			(25,759)	
<b>Changes to conform to generally accepted accounting principles:</b>				
Bond proceeds			(43,661,418)	
Fiscal agent fees			675,527	
Principal payment on bonds			10,400,000	
Bond escrow agent payment			47,866,000	
Transfer from non-restricted cash to cash restricted for acquisition of property and equipment			6,000,000	
Capital contributions			375,582	
Capitalized interest on long-term debt			<u>994,601</u>	
<b>Change in net assets as reported in Exhibit A-10</b>			<u>\$ (1,649,310)</u>	

See Notes to Financial Statements



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**JOINT WATER AND SEWER FUND**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
Charges for services	\$ 98,528,000	\$ 98,528,000	\$100,504,719	\$ 1,976,719
City water service expansion charges	8,800,000	8,800,000	11,908,616	3,108,616
Sustainable water supply	13,800,000	13,800,000	13,276,044	(523,956)
Interest on investments	1,420,000	1,420,000	1,296,389	(123,611)
Valley system connection charges	250,000	250,000	254,134	4,134
City system connection charges	900,000	900,000	1,193,015	293,015
Other miscellaneous	970,000	970,000	850,263	(119,737)
Grant revenue	-	-	89,010	89,010
Transfer from unrestricted cash for operations	250,000	250,000	-	(250,000)
restricted for debt service	<u>38,863,000</u>	<u>38,863,000</u>	<u>38,863,000</u>	<u>-</u>
<b>Total revenues</b>	<u><b>163,781,000</b></u>	<u><b>163,781,000</b></u>	<u><b>168,235,190</b></u>	<u><b>4,454,190</b></u>
<b>Expenses:</b>				
Water plant facility R&M	2,671,000	2,362,000	2,283,876	78,124
Water plant facility operations	8,997,000	7,830,000	7,316,785	513,215
Water distribution facility maintenance	5,184,000	6,550,000	6,397,150	152,850
Water distribution facility operation	1,960,000	2,014,000	1,864,701	149,299
Water revenue meter maintenance	2,557,000	2,364,000	2,345,171	18,829
Wastewater treatment	11,244,000	11,754,000	11,107,676	646,324
Wastewater pretreatment	911,000	853,000	689,176	163,824
Wastewater collection	4,258,000	4,108,000	3,844,003	263,997
Wastewater laboratory	1,410,000	1,404,000	1,348,486	55,514
Sustainable water supply	7,009,000	7,034,000	7,296,859	(262,859)
Customer services	3,570,000	3,474,000	3,326,650	147,350
Finance	2,790,000	2,756,000	2,708,671	47,329
San Juan-Chama	2,027,000	2,027,000	2,152,407	(125,407)
Strategic support	1,676,000	1,612,000	1,560,608	51,392
State conservation fee	1,170,000	1,100,000	1,081,979	18,021
North I-25 reuse	274,000	118,000	115,554	2,446
Utility development	638,000	560,000	555,040	4,960
Water resources	3,581,000	3,466,000	3,166,704	299,296
Information systems	461,000	391,000	300,901	90,099
Low income utility credit	138,000	228,000	234,250	(6,250)
Debt service	46,089,000	46,089,000	45,855,799	233,201
Transfer to cash restricted for debt service	37,808,000	37,808,000	37,808,000	-
to cash restricted for capital acquisition	3,938,000	3,938,000	3,938,000	-
Sustainable water supply - transfer to cash restricted for debt service	1,055,000	1,055,000	1,055,000	-
Transfer to cash restricted for capital acquisition	10,300,000	10,300,000	10,300,000	-
Sustainable water supply - transfer to cash restricted for capital acquisition	5,520,000	5,520,000	5,520,000	-
Sustainable water supply-transfer to unrestricted cash for operations	250,000	250,000	-	250,000
Payment for General Fund services	<u>7,346,000</u>	<u>7,346,000</u>	<u>7,113,801</u>	<u>232,199</u>
<b>Total expenses</b>	<u><b>174,933,000</b></u>	<u><b>174,386,000</b></u>	<u><b>171,353,257</b></u>	<u><b>3,032,743</b></u>
<b>Excess of revenues over (under) expenses</b>	<u><b>\$ (11,152,000)</b></u>	<u><b>\$ (10,605,000)</b></u>	<b>(3,118,067)</b>	<u><b>\$ 7,486,933</b></u>
<b>Net expenses over revenues not budgeted (page 2)</b>			<b>(41,741,274)</b>	
<b>Changes to conform to generally accepted accounting principles (page 2)</b>			<u><b>76,302,600</b></u>	
<b>Change in net assets as reported in Exhibit A-10</b>			<u><b>\$ 31,443,259</b></u>	

See Notes to Financial Statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**JOINT WATER AND SEWER FUND**  
**Year ended June 30, 2002**

	<u>Actual</u>
<b>Revenues (expenses) not budgeted:</b>	
Interest on investments of restricted assets	\$ 750,920
Gain on disposition of property and equipment	66,375
Depreciation	(39,355,206)
Amortization	(793,130)
Amortization on water rights contract	(348,400)
Accreted interest on capital appreciation bonds	(1,586,796)
Unrealized loss on investments	(25,513)
Bad debt	(597,741)
Loan fees	(29,068)
Lease of water rights	177,285
<b>Net expenses over revenues not budgeted</b>	<b>\$ (41,741,274)</b>
<b>Changes to conform to generally accepted accounting principles:</b>	
Principal payments on bonds and loan agreements	34,220,280
Transfer to cash restricted for capital acquisition	20,118,551
Capital contributions	14,995,201
Capital outlay	5,355,562
Capitalized interest on long-term debt	3,149,165
Operating grant revenue	(89,010)
Contributed capital budgeted as revenues	(1,447,149)
<b>Net changes to conform to generally accepted accounting principles</b>	<b>\$ 76,302,600</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**REFUSE DISPOSAL FUND**  
**Year ended June 30, 2002**

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 39,466,057	\$ 39,466,057	\$ 39,223,023	\$ (243,034)
Interest on investments	299,943	299,943	218,913	(81,030)
Transfer from non-restricted cash to cash restricted for debt service	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>
<b>Total revenues</b>	<u>43,566,000</u>	<u>43,566,000</u>	<u>43,241,936</u>	<u>(324,064)</u>
<b>Expenses:</b>				
Collections	17,212,000	17,174,000	17,172,719	1,281
Disposal	4,631,000	4,631,000	4,625,162	5,838
Recycling	3,286,000	3,066,000	3,062,346	3,654
Clean City	3,066,000	3,066,000	3,062,036	3,964
Transfer from non-restricted cash to cash restricted for debt service	3,800,000	3,800,000	3,800,000	-
Payment for General Fund services	2,408,000	2,408,000	2,403,024	4,976
Transfer from non-restricted cash to cash restricted for capital acquisition	5,772,000	3,272,000	3,272,000	-
Transfer to Joint Water & Sewer Fund	478,000	478,000	478,000	-
Transfer to Corrections & Detention Fund	82,000	82,000	82,000	-
Debt service	<u>4,496,000</u>	<u>4,496,000</u>	<u>4,417,821</u>	<u>78,179</u>
<b>Total expenses</b>	<u>45,231,000</u>	<u>42,473,000</u>	<u>42,375,108</u>	<u>97,892</u>
<b>Excess of revenues over (under) expenses</b>	<u>\$ (1,665,000)</u>	<u>\$ 1,093,000</u>	866,828	<u>\$ (226,172)</u>
<b>Revenues (expenses) not budgeted:</b>				
Interest on investments of restricted assets			349,611	
Loss on disposition of property and equipment			(61,079)	
Depreciation			(4,692,728)	
Amortization			(219,481)	
Bad debt			(186,696)	
Miscellaneous			(9,938)	
Unrealized loss on investments			(1,570)	
<b>Changes to conform to generally accepted accounting principles:</b>				
Principal payment on bonds			2,650,000	
Transfer from non-restricted cash to cash restricted for capital acquisition			3,272,000	
Capitalized interest on long-term debt			331,394	
Capital outlay			<u>223,280</u>	
<b>Change in net assets as reported in Exhibit A-10</b>			<u>\$ 2,521,621</u>	

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**NON MAJOR ENTERPRISE FUNDS**  
**Year ended June 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
<b>Charges for services:</b>				
Parking	\$ 3,765,000	\$ 3,765,000	\$ 3,312,411	\$ (452,589)
Golf	4,070,000	4,187,000	3,981,145	(205,855)
Transit	3,205,000	3,182,000	2,977,975	(204,025)
Interest on investments	80,000	75,000	70,661	(4,339)
Miscellaneous revenue	124,000	95,000	113,016	18,016
General operating assistance	16,097,000	16,748,000	16,748,000	-
County shared operations	880,000	880,000	857,912	(22,088)
Transfers	<u>6,938,000</u>	<u>6,531,000</u>	<u>6,595,235</u>	<u>64,235</u>
<b>Total revenues</b>	<u>35,159,000</u>	<u>35,463,000</u>	<u>34,656,355</u>	<u>(806,645)</u>
<b>Expenses:</b>				
Parking services	2,150,000	2,420,000	2,410,793	9,207
Affordable and quality golf	3,389,000	3,380,000	3,259,465	120,535
Transit operations	24,291,000	24,609,000	23,336,451	1,272,549
Transfers	2,619,000	2,422,000	1,386,263	1,035,737
Debt service	345,000	345,000	278,894	66,106
Payment for General Fund services	<u>1,988,000</u>	<u>1,988,000</u>	<u>1,919,346</u>	<u>68,654</u>
<b>Total expenses</b>	<u>34,782,000</u>	<u>35,164,000</u>	<u>32,591,212</u>	<u>2,572,788</u>
<b>Excess of revenues over expenses</b>	<u>\$ 377,000</u>	<u>\$ 299,000</u>	2,065,143	<u>\$ 1,766,143</u>
<b>Revenues (expenses) not budgeted:</b>				
Interest on investments of restricted assets			1,444,747	
Operating grant revenue			984,218	
Operating grant expenses			(1,695,327)	
Depreciation			(6,016,497)	
Amortization of bond issuance costs			(49,869)	
Bad debt			(18,078)	
Transfer from Capital Acquisition Fund			5,459,148	
Transfer from restricted cash to cash restricted for debt service			(1,239,225)	
Unrealized loss on investments			(340,230)	
<b>Changes to conform to generally accepted accounting principles:</b>				
Capital outlay			109,810	
Capital contributions			9,168,346	
Capitalized interest on long term debt			277,880	
Transfers			210,000	
Principal payment on bonds			<u>125,000</u>	
<b>Change in net assets as reported in Exhibit G-2</b>			<u>\$ 10,485,066</u>	

See Notes to Financial Statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2002**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash, investments, and accrued interest	\$ 11,906,961
Receivables	228,293
Due from other governments	<u>22</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,135,276</u></b>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 6,668
Deferred revenue	<u>228,256</u>
Funds held for others	<u>11,900,352</u>
<b>Total liabilities</b>	<b><u>\$ 12,135,276</u></b>
<b>Net Assets</b>	<b><u>\$ -</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 1 THE FINANCIAL REPORTING ENTITY**

The City of Albuquerque, New Mexico, (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members. As a governmental entity, the City is not subject to Federal or State income taxes.

The City provides traditional services such as public safety, culture and recreation, public works, highways and streets, water and sewer services, and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport, corrections and detention facilities, and a housing authority.

The City of Albuquerque (the primary government) for financial reporting purposes consist of funds, departments, and programs for which the City is financially accountable. Criteria indicating financial accountability includes, but are not limited to the following:

1. (a) appointment by the City of a majority of voting members of the governing body of an organization, and  
(b) ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budget, rates or fees, or to make other substantive decisions; or
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Based on the foregoing criteria, the City does not have relationships with other organizations, not included herein, of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Albuquerque have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

**A. Basis of Presentation**

The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. All financial transactions are reported in basic financial statements, as follows:

**1. Government-wide Financial Statements:**

The *statement of net assets* and the *statement of activities* display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The net assets of the City is reported in three categories -1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The *statement of activities* presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Indirect expense allocations that have been made in the funds are shown in a separate column and are not included in the expenses column. The allocation of indirect expenses is based on the relative usage by the function charged to all functions charged for services rendered by all central service activities of the general government such as Accounting, Information Services, Treasury, Budgeting, and other central services.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**A. Basis of Presentation, continued**

**2. Fund Financial Statements:**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

**General Fund**. This fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources except those required to be accounted for in another fund.

**Corrections and Detention Fund**. This fund accounts for the operations of the joint City/Bernalillo County Corrections and Detentions facilities.

**General Obligations Bond Debt Service Fund**. This fund accounts for the monies set aside for the payment of principal and interest of all general obligation bonds. The principal source of revenue is from property taxes.

**Capital Acquisition Fund**. This fund accounts for capital projects for which financing is provided by the sale of general obligation and revenue bonds, miscellaneous revenues and various grants.

The City reports the following major proprietary (enterprise) funds:

**Airport Fund**. This fund accounts for the operations of the Albuquerque International Airport.

**Joint Water and Sewer Fund**. This fund accounts for the general operations of providing water and sewer services.

**Refuse Disposal Fund**. This fund accounts for the general operations of providing refuse removal services.

**Housing Authority Fund**. This fund accounts for the operations of the City's low income housing program. Financing is provided by rentals of housing units and grants from the U.S. Department of Housing and Urban Development.

The City reports the following fund types:

**Special Revenue Funds**. To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Debt Service Funds**. To account for the accumulation of resources for, and the payment of, general and special assessment long-term principal, interest, and related costs.

**Capital Projects Funds**. To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

**Permanent Funds**. These funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

**Internal Service Funds**. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees.

**Agency Funds**. These funds account for monies held by the City in a custodial capacity on behalf of third parties or other agencies.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**B. Measurement Focus, Basis of Accounting**

**1. Government-Wide, Proprietary and Fiduciary Fund Financial Statements**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental and business-type activities of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**2. Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collectible within the current period or within one month following the year-end. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick leave pay, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**C. Statement of Cash Flows**

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits for each individual fund. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest and changes therein are reported as cash flows from investing activities. The portion of cash in the amount of matured principal and interest on bonds in the Enterprise Funds group is not considered to be cash equivalent because of the City's policy of recognizing the July 1<sup>st</sup> payments of debt service expenditures as of the end of the fiscal year.

**D. Estimated Amounts Reported in Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**E. Cash, Investments, and Accrued Interest**

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are recorded at fair value. The balance reported for each participating fund as "Cash, Investments, and Accrued Interest" represents the equity of that fund in the pooled cash, investments, and accrued interest. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. Cash, Investments, and Accrued Interest, continued**

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bond indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested on the basis of a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specified maturities.

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds which are computed at amortized cost approximating market value. The investment in the State of New Mexico local government investment pool is valued at \$1.00 share. It is a pool that is not registered with the United States Securities Exchange Commission and the regulatory oversight for that pool rests with the State of New Mexico's Treasurer through the State Treasurer's Investment Committee. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document.

The following categories of investments are specifically authorized by the policy:

Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.

U.S. Treasury Obligations - Bills, notes, and bonds.

Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.

Municipal Bonds - rated in any of the three highest major rating categories by one or more nationally recognized rating agencies.

The following categories of deposits are specifically authorized by the policy:

Checking accounts - at insured financial institutions.

Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).

**F. Inventories of Supplies**

Inventories of supplies are valued at average cost. Expenditures in governmental funds and expenses in proprietary funds are recorded as inventory items are consumed.

**G. Land Held for Sale**

Land held for sale, which consists primarily of approximately 4,477 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, is part of the Acquisition and Management of Open Space Nonexpendable Trust Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at cost, which does not exceed market value.

The City recognizes income on real estate transactions by recording the entire gross profit on sales that meet the requirements for the accrual method. Transactions, which do not meet the requirements for the accrual method, are recorded using the deposit method or installment method until such time as the requirements for the accrual method are met. Under the deposit method, cash received is recorded as a deposit. Under the installment method, the City records the entire contract price and the related costs at the time the transaction is recognized as a sale. Concurrently, the gross profit on the sale is deferred and is subsequently recognized as revenue as payments of principal are received on the related contract receivable.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**H. Capital Assets**

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets, (roadways and related street and signal lights, storm sewers, bike trails, and bridges), acquired or constructed prior to July 1, 2001 have not been reported.

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets, which are financed by general obligation bonds (to be repaid solely from property tax levies) for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the City. Construction costs of water and sewer lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions in the Joint Water and Sewer (Enterprise) Fund.

Buildings and improvements, infrastructure, and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Runways and other improvements	15 - 25 years
General infrastructure assets	30 years
Improvements other than buildings and runways	15 - 20 years
Machinery and equipment	3 - 13 years

**I. Deferred Charges and Other Assets**

Purchased water rights, acquired in 1963, are recorded at cost in the Joint Water and Sewer Fund and are being amortized using the straight-line method over one hundred years.

Land acquired in claim settlement is recorded at the lower of cost or appraised value. The appraised value reflects the impairment of the asset, which was caused by underground contamination that seeped from an adjacent inactive landfill maintained by the City.

Costs incurred in connection with the issuance of bonds are capitalized and are reported as deferred bond issuance costs. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

**J. Claims and Judgments**

Liabilities for workers' compensation, tort and other claims as of June 30, 2002, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2002, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 4.0% at June 30, 2002, and 5.5% for 2001, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

**K. Accrued Vacation and Sick Leave Pay**

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when incurred.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**K. Accrued Vacation and Sick Leave Pay, continued**

City employees may also accumulate limited amounts of sick leave which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for vested amounts, due to employees' meeting the termination or retirement requirements, but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, accumulated sick leave pay is recognized when vested or taken whichever occurs first.

**L. Deferred Revenue**

The City defers revenue from nonexchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. The City also defers revenue on a water rights contract, rehabilitation loans, construction loans, economic development loans and special assessments. Revenue is recognized as the receivables are collected. In addition, deferred revenue includes moneys collected for food service and license fees, not yet earned.

**M. Special Assessments**

Special assessment receivables are recorded upon approval of the assessment roll by the City Council, and the related revenues, interest, and penalties are recognized when due. City participation revenues are recorded at the time of receipt.

**N. Long-term Obligations**

Long-term obligations used to finance proprietary fund capital acquisitions and payable from revenue of proprietary funds are recorded in the applicable proprietary fund. Long-term obligations of governmental funds payable from general revenues of the City and special assessment levies are reported in the government-wide financial statements.

**O. Fund Balance Reserves and Designations**

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2002, fund balances were reserved for:

*Encumbrances* - the estimated amount of unperformed contracts and outstanding purchase orders that will be re-appropriated in the subsequent fiscal year.

*Inventories of supplies* - the amount of inventories on hand not available for appropriation.

*Prepaid items* - the amount reserved for operating costs paid in advance not available for appropriation.

*Land held for resale* - the amount of fund balance representing the cost of land held for resale and not available for appropriation and/or expenditure.

*Advances to other funds* - the amount of advances to other funds not available for appropriation and/or expenditure.

*Acquisition and management of open space land* - the fund balance of permanent funds legally restricted for this purpose.

*Urban enhancement* - the fund balance of permanent funds legally restricted for this purpose.

*Operations* - a portion of the fund balance of the General Fund restricted by the City Council from expenditure, except by specific appropriation, for the purpose of maintaining existing levels of government services to the public.

In addition to reserves, the City designates certain portions of unreserved fund balances or unrestricted net assets, disclosed in note 2S, as follows:

*Designated for future appropriations* - the amount of nonexchange revenues recognized at fiscal year end that will not be available for expenditures until the revenue is received.

*Designated for unrealized gains on investments* - the amount of unrealized gains on investments at fiscal year end that will not be available for expenditures until the related investments are sold.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**P. Encumbrances**

Encumbrances, outstanding at year end and that will be re-appropriated for the following fiscal year, are recorded as a reservation of fund balance and are not included in expenditures.

**Q. Unbilled Revenues**

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2002 are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

**R. Interfund Transactions**

Transactions that would be recorded as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as operating transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

**S. Budgets**

Annual budgets for the General Fund, certain Special Revenue Funds, and certain Debt Service Funds are departmental appropriations by program, the level at which expenditures may not legally exceed appropriations. The annual budget approved by the City Council also includes proprietary funds. The budgetary data is prepared consistent with the basis of accounting described in Note 2B. As required by the home rule City charter, the annual budget is formulated by the Mayor and submitted to the City Council by April 1 for the fiscal year commencing July 1. When there is a proposal for a change in rates or fees, City ordinances provide that the Mayor shall submit the operating budget for the Solid Waste, Golf, Joint Water and Sewer, and Aviation enterprise funds to the City Council no later than March 1. Public hearings are conducted to obtain citizen comments on the approved budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the City Council.

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2002, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year prior to any subsequent City Council action.

<b>General Fund:</b>		<b>Joint Water and Sewer Fund:</b>	
Early retirement	\$ 675,690	Sustainable water supply	287,859
Fire training and safety	288,918	San Juan-Chama	125,407
Operating transfers out	266,436	Low income utility credit	6,250
<b>Corrections and Detention Fund:</b>		<b>Risk Management Fund:</b>	
Community custody	49,243	Tort and other claims	969,023
Corrections and detention	215,057		

An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and the Capital Projects Funds do not have annual budgets.

Exhibit A-8, "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non Major Governmental Funds - Special Revenue and Debt Service Funds", does not include certain Special Revenue Funds (Albuquerque Biological Park Projects, City/County Projects, City Housing, Community Development, Culture and Recreation Projects, Housing and Neighborhood Economic Development, Law Enforcement Protection, Metropolitan Redevelopment, Operating Grants, and Urban Enhancement Expenditures) which have other than annual budgets.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**S. Budgets, continued**

Included in the unreserved fund balances or unrestricted net assets for budgetary purposes are designations for future appropriations and for unrealized gains on investments. The designated amounts (in thousands) by fund types is as follows:

<u>Unreserved fund balance - governmental funds</u>						
	<u>General</u>	<u>Corrections and Detention</u>	<u>GO Bond Debt Service</u>	<u>Capital Acquisition</u>	<u>Non Major</u>	<u>Totals</u>
<b>Designated for:</b>						
Future appropriations	\$ 17,763	\$ -	\$ -	\$ -	\$ 3,285	\$ 21,048
Unrealized gains	141	-	64	575	384	1,164
Undesignated	<u>1,914</u>	<u>9</u>	<u>18,166</u>	<u>121,855</u>	<u>37,456</u>	<u>179,400</u>
<b>Total Unreserved</b>	<b><u>\$ 19,818</u></b>	<b><u>\$ 9</u></b>	<b><u>\$ 18,230</u></b>	<b><u>\$ 122,430</u></b>	<b><u>\$ 41,125</u></b>	<b><u>\$ 201,612</u></b>

<u>Unrestricted net assets - proprietary (enterprise) funds</u>						
	<u>Airport</u>	<u>Joint Water and Sewer</u>	<u>Refuse Disposal</u>	<u>Housing Authority</u>	<u>Non Major</u>	<u>Totals</u>
<b>Designated for:</b>						
Unrealized gains	\$ 307	\$ 223	\$ 74	\$ -	\$ 274	\$ 878
Undesignated	<u>10,293</u>	<u>47,864</u>	<u>5,165</u>	<u>8,598</u>	<u>1,408</u>	<u>73,328</u>
<b>Total Unreserved</b>	<b><u>\$ 10,600</u></b>	<b><u>\$ 48,087</u></b>	<b><u>\$ 5,239</u></b>	<b><u>\$ 8,598</u></b>	<b><u>\$ 1,682</u></b>	<b><u>\$ 74,206</u></b>

**T. Implementation of New Accounting Principles**

**Governmental Accounting Standards Board (GASB) Statement No. 34**

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

*Management's Discussion and Analysis* - Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

*Statement of Net Assets* - The government-wide statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets and long-term liabilities in the government-wide statement. The net assets of the City is reported in three categories -1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Activities* - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

The City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**T. Implementation of New Accounting Principles, continued**

**GASB Statement No. 37**

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

**GASB Statement No. 38**

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

**GASB Interpretation No. 6**

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the government-wide financial statements. Accordingly, the City has considered the effects of this statement. No change in accounting for these types of liabilities or expenditures was required.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.**

Total fund balances of the City's governmental funds, \$283,605,997, differs from net assets of governmental activities, \$648,684,699, reported in the statement of net assets. The differences primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The differences (*in thousands*) are illustrated below:

	Total Governmental Funds	Internal Service Funds	Long-term Assets Liabilities	Reclassi- fications and Eliminations	Statement of Net Assets Totals
<b>Assets:</b>					
Cash, investments and accrued interest	\$ 300,897	\$ 26,647	\$ -	\$ (68,942)	\$ 258,602
Taxes receivable	60,271	-	-	-	60,271
Accounts receivable	30,224	2,029	-	-	32,253
Due from other governments	18,593	63	-	-	18,656
Accrued interest	-	-	116	-	116
Deposit	1,780	7	-	-	1,787
Internal balances	31,510	-	-	(5,910)	25,600
Inventories	283	1,849	-	-	2,132
Prepaid expenses	164	301	-	-	465
<b>Restricted assets:</b>					
Cash, investments and accrued interest	-	-	-	68,942	68,942
<b>Capital assets:</b>					
Land and construction in progress	-	284	451,305	-	451,589
Capital assets being depreciated	-	2,865	533,368	-	536,233
Accumulated depreciation	-	(2,263)	(293,962)	-	(296,225)
Deferred charges and other assets	5,128	1,930	370	-	7,428
<b>Total assets</b>	<b>\$ 448,850</b>	<b>\$ 33,712</b>	<b>\$ 691,197</b>	<b>\$ (5,910)</b>	<b>\$ 1,167,849</b>
<b>Liabilities:</b>					
Accounts payable	\$ 20,091	\$ 2,099	\$ -	\$ -	\$ 22,190
Accrued liabilities	15,551	122	-	7,781	23,454
Deposits	793	-	-	-	793
Due to other funds/advances	5,910	-	-	(5,910)	-
Due to other governments	344	-	-	-	344
Deferred revenues	57,752	-	(30,603)	-	27,149
<b>Current portion of long-term obligations:</b>					
Bonds and notes payable	-	-	-	57,022	57,022
Accrued vacation and sick leave pay	-	468	14,650	-	15,118
Accrued claims payable	-	13,155	-	-	13,155
Matured principal and interest	64,803	-	-	(64,803)	-
<b>Non current long-term obligations:</b>					
Bonds and notes payable	-	-	320,927	-	320,927
Accrued vacation and sick leave pay	-	199	10,687	-	10,886
Accrued claims payable	-	26,144	-	-	26,144
Deferred credit	-	-	1,982	-	1,982
<b>Total liabilities</b>	<b>165,244</b>	<b>42,187</b>	<b>317,643</b>	<b>(5,910)</b>	<b>519,164</b>
<b>Fund balances/net assets</b>	<b>283,606</b>	<b>(8,475)</b>	<b>373,554</b>	<b>-</b>	<b>648,685</b>
<b>Total liabilities and fund balances/net assets</b>	<b>\$ 448,850</b>	<b>\$ 33,712</b>	<b>\$ 691,197</b>	<b>\$ (5,910)</b>	<b>\$ 1,167,849</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of net activities.**

The net change in fund balances for governmental funds, \$32,819,875, differs from the change in net assets for governmental activities, \$47,452,201, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	Total Governmental Funds	Internal Service Funds	Long-term Revenues/ Expenses	Reclassi- fications and Eliminations	Statement of Activities Totals
<b>Revenues:</b>					
<b>Taxes:</b>					
Property taxes	\$ 78,989	\$ -	\$ (6,838)	\$ -	\$ 72,151
Gross receipts tax	115,625	-	627	-	116,252
Franchise tax	15,369	-	-	-	15,369
Lodgers tax	8,319	-	-	-	8,319
Licenses and permits	10,396	-	-	-	10,396
Intergovernmental	209,422	-	843	-	210,265
Charges for services	43,745	-	-	(7,729)	36,016
Fines and forfeits	669	-	-	-	669
Investment earnings	10,411	798	116	-	11,325
Special assessments	10,277	-	-	-	10,277
Other revenue	11,521	28	(284)	578	11,843
<b>Total revenues</b>	<b>514,743</b>	<b>826</b>	<b>(5,536)</b>	<b>(7,151)</b>	<b>502,882</b>
<b>Expenditures/Expenses:</b>					
<b>Current:</b>					
General government	53,055	292	2,497	(3,042)	52,802
Corrections	36,232	336	316	(1,383)	35,501
Fire	44,724	348	1,152	(203)	46,021
Police	91,412	1,191	7,342	(947)	98,998
Culture and recreation	53,316	448	10,058	984	64,806
Public works	11,277	79	684	(68)	11,972
Highways and streets	19,074	292	632	7,148	27,146
Health	10,025	82	467	(190)	10,384
Human services	50,918	205	865	(315)	51,673
Housing	2,389	-	(123)	(17)	2,249
Special assessments	-	-	-	15,897	15,897
<b>Debt service:</b>					
Principal retirement	60,058	-	(60,058)	-	-
Interest and other fiscal charges	15,925	-	1,133	-	17,058
Bond issuance costs	512	-	(773)	-	(261)
Capital outlay	110,038	-	(84,446)	(25,592)	-
Miscellaneous	1,156	-	(1,733)	577	-
<b>Total expenditures/expenses</b>	<b>560,111</b>	<b>3,273</b>	<b>(121,987)</b>	<b>(7,151)</b>	<b>434,246</b>
<b>Other financing sources (uses)/changes in net assets:</b>					
Net transfers (to) from other funds	(20,915)	(269)	-	-	(21,184)
Proceeds from issuance of bonds and loans	99,103	-	(99,103)	-	-
<b>Total other financing sources (uses)/changes in net assets</b>	<b>78,188</b>	<b>(269)</b>	<b>(99,103)</b>	<b>-</b>	<b>(21,184)</b>
<b>Net change for the year</b>	<b>\$ 32,820</b>	<b>\$ (2,716)</b>	<b>\$ 17,348</b>	<b>\$ -</b>	<b>\$ 47,452</b>



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 4 CASH AND CASH EQUIVALENTS**

**A. Cash, Investments, Accrued Interest and Cash with Fiscal Agents**

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2002, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:</b>				
Repurchase agreements	\$ 183,093,920	\$ 119,683,773	\$ 6,422,931	\$ 309,200,624
Obligations of federal agencies or instrumentalities	118,522,274	81,961,184	4,107,352	204,590,810
State of New Mexico investment council	21,556,703	-	-	21,556,703
State of New Mexico local government investment pool	-	6,544,956	-	6,544,956
<b>Total investments</b>	<u>323,172,897</u>	<u>208,189,913</u>	<u>10,530,283</u>	<u>541,893,093</u>
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	(6,841)	(960,061)	1,376,678	409,776
<b>Total bank balances</b>	<u>93,159</u>	<u>(960,061)</u>	<u>1,376,678</u>	<u>509,776</u>
Accrued interest receivable	994,082	835,363	-	1,829,445
In trust at Bank of Albuquerque	3,225,649	2,900,228	-	6,125,877
Imprest cash funds	57,894	14,595	-	72,489
<b>Total other</b>	<u>4,277,625</u>	<u>3,750,186</u>	<u>-</u>	<u>8,027,811</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>
<b>Unrestricted cash, investments and accrued interest:</b>				
Cash, investments and accrued interest	\$ 190,571,924	\$ 32,558,139	\$ 10,530,283	\$ 233,660,346
Cash with fiscal agents	68,029,267	-	-	68,029,267
<b>Total unrestricted cash, investments and accrued interest</b>	<u>258,601,191</u>	<u>32,558,139</u>	<u>10,530,283</u>	<u>301,689,613</u>
<b>Restricted cash, investments and accrued interest:</b>				
Cash, investments and accrued interest	68,942,490	126,564,281	1,376,678	196,883,449
Cash with fiscal agents	-	51,857,618	-	51,857,618
<b>Total restricted cash, investments and accrued interest</b>	<u>68,942,490</u>	<u>178,421,899</u>	<u>1,376,678</u>	<u>248,741,067</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

**NOTE 4 CASH AND CASH EQUIVALENTS, continued**

**A. Cash, Investments, Accrued Interest and Cash with Fiscal Agents, continued**

The City's deposits and investments at June 30, 2002, are categorized below to indicate the level of risk assumed by the City:

**1. Investment Categories of Credit Risk**

- (1) Insured or registered or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department (if a bank) or agent in the City's name.

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>Not Categorized</u>	
Repurchase agreements	\$ -	\$309,200,624	\$ -	\$309,200,624
Obligations of federal agencies or instrumentalities	204,590,810	-	-	204,590,810
State of New Mexico investment council	-	-	21,556,703	21,556,703
State of New Mexico local government investment pool	-	-	<u>6,544,956</u>	<u>6,544,956</u>
<b>Total investments</b>	<u>\$204,590,810</u>	<u>\$309,200,624</u>	<u>\$ 28,101,659</u>	<u>\$541,893,093</u>

**2. Deposit Categories of Credit Risk**

- (A) Insured or collateralized with securities held by the City or by its agent in the City's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

	<u>Category</u>		
	<u>A</u>	<u>B</u>	<u>Total</u>
Bank accounts (bank balance)	\$ 209,887	\$ 8,851,929	\$ 9,061,816
Certificates of deposit	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>Total deposits</b>	<u>\$ 309,887</u>	<u>\$ 8,851,929</u>	<u>\$ 9,161,816</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 4 CASH AND CASH EQUIVALENTS, continued**

**B. Pledged Collateral by Bank**

The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank at June 30, 2002, consists of the following:

	<u>Bank Of The West</u>	<u>Bank of America</u>	<u>Compass Bank</u>	<u>Wells Fargo Bank</u>	<u>First State Bank</u>	<u>Bank 1st</u>
Total amount on deposit	\$ 6,519	\$ 2,848,164	\$ 2,638	\$ 6,203,765	\$ 730	\$ 100,000
Less FDIC coverage	<u>6,519</u>	<u>100,000</u>	<u>2,638</u>	<u>100,000</u>	<u>730</u>	<u>100,000</u>
Total uninsured public funds	-	2,748,164	-	6,103,765	-	-
50% collateral requirement	<u>-</u>	<u>1,374,082</u>	<u>-</u>	<u>3,051,883</u>	<u>-</u>	<u>-</u>
Pledged securities, fair value	<u>-</u>	<u>639,176</u>	<u>-</u>	<u>6,166,893</u>	<u>-</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ -</u>	<u>\$ (734,906)</u>	<u>\$ -</u>	<u>\$ 3,115,010</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES**

**A. Taxes receivable**

The taxes receivable at June 30, 2002 are from the following sources:

Gross receipts taxes	\$ 47,412,005
Property tax	8,391,514
Franchise tax	3,108,896
Lodgers tax	807,972
Other taxes	<u>550,491</u>
Total	<u>\$ 60,270,878</u>

The property taxes above include a receivable of \$6,477,799 in the General Obligation Debt Service Fund, \$1,513,715 in the General Fund, and \$400,000 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 2002 tax levy had a taxable value of \$7,423,666,498. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 2.225 mills. The 2002 weighted average residential and non-residential City rate for both operations and debt service was 11.161 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES, continued**

**B. Accounts receivables And Allowances For Uncollectible Accounts**

Included on Exhibit A-I, "Statement of net assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2002, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
<b>Government Activities:</b>			
<b>Governmental funds:</b>			
General Fund	\$ 3,140,606	\$ 756,932	\$ 2,383,674
Corrections and Detention Fund	1,433,573	1,387,559	46,014
Capital Acquisitions Fund	21,651	-	21,651
Non Major governmental funds	214,089	-	214,089
Internal service funds	<u>2,029,360</u>	<u>-</u>	<u>2,029,360</u>
Total government activity funds	<u>\$ 6,839,279</u>	<u>\$ 2,144,491</u>	<u>\$ 4,694,788</u>
<b>Business-type activities:</b>			
<b>Major funds:</b>			
Airport	\$ 3,993,900	\$ 746,377	\$ 3,247,523
Joint Water and Sewer	18,928,791	1,477,223	17,451,568
Refuse Disposal	2,947,565	276,581	2,670,984
Housing Authority Fund	404,911	257,029	147,882
Non major funds	<u>239,217</u>	<u>113,473</u>	<u>125,744</u>
Total Enterprise Funds	<u>\$ 26,514,384</u>	<u>\$ 2,870,683</u>	<u>\$ 23,643,701</u>

**C. Long Term And Notes Receivables**

Included in Exhibit A-1 are long term-receivables as follows:

<b>Special Revenue Funds:</b>		
Community Development Fund	Rehabilitation loans	\$ 2,185,369
Housing & Neighborhood Economic Development Fund	Notes receivable	139,355
"	Developer loans	250,000
Metropolitan Redevelopment Fund	Developer loans	500,000
Operating Grants Fund	Rehabilitation loans	741,545
"	Developer loans	<u>250,000</u>
		<u>4,066,269</u>
<b>Debt Service Funds:</b>		
Special Assessments Debt Service Fund	Special Assessments *	<u>18,720,115</u>
<b>Permanent Funds:</b>		
Acquisition and Management of Open Space		
Permanent Fund	Real Estate Contracts	<u>4,772,760</u>
		<u>\$ 27,559,144</u>

\* includes delinquent accounts of \$515,156

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 6 INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2002, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
<b>Governmental funds:</b>		
<b>Major Funds:</b>		
General Fund	\$ 5,602,453	\$ -
Corrections and Detention	-	<u>3,107,113</u>
	<u>5,602,453</u>	<u>3,107,113</u>
<b>Non major funds:</b>		
Community Development Fund	-	1,261,445
Gas Tax Road Fund	-	109,212
Operating Grants	-	<u>1,124,683</u>
	<u>-</u>	<u>2,495,340</u>
<b>Total</b>	<u>\$ 5,602,453</u>	<u>\$ 5,602,453</u>

**NOTE 7 INTERFUND ADVANCES**

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2002.

		<u>Advances to other funds</u>	<u>Advances from other funds</u>
<b>Governmental funds:</b>			
<b>General Fund *</b>	Advance to Capital Acquisition Fund *	\$ 112,000	\$ -
	Advance to Open Space Expendable Trust Fund	<u>195,636</u>	<u>-</u>
		<u>307,636</u>	<u>-</u>
<b>Special Revenue Fund</b>	<b>Open Space Expenditures Fund:</b>		
	Advance from General Fund *	-	195,636
<b>Debt Service Fund</b>	<b>Sales Tax Refunding Debt Service Fund:</b>		
	Advance to Parking Facilities Fund **	25,600,000	-
<b>Capital Projects Fund</b>	<b>Capital Acquisition Fund *:</b>		
	Advance from General Fund *	<u>-</u>	<u>112,000</u>
		<u>25,907,636</u>	<u>307,636</u>
<b>Proprietary funds:</b>			
<b>Enterprise Funds:</b>	<b>Parking Facilities Fund:</b>		
	Advance from Sales Tax Refunding Debt Service Fund **	<u>-</u>	<u>25,600,000</u>
<b>Total advances</b>		<u>\$ 25,907,636</u>	<u>\$ 25,907,636</u>

\* Major fund, all others are non-major.

\*\* Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced to the Parking Facilities Fund and are being used to construct, acquire or improve capital assets.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 8 CAPITAL ASSETS**

Capital asset activity of the City for the year ended June 30, 2002, was as follows:

**A. Governmental Activities**

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
<b>Assets not being depreciated:</b>				
Land	\$ 198,886,408	\$ 3,872,166	\$ -	\$ 202,758,574
Construction work in progress	<u>219,490,193</u>	<u>39,072,169</u>	<u>9,732,340</u>	<u>248,830,022</u>
	<u>418,376,601</u>	<u>42,944,335</u>	<u>9,732,340</u>	<u>451,588,596</u>
<b>Assets being depreciated:</b>				
Buildings	78,621,350	2,572,590	-	81,193,940
Infrastructure	-	35,599,482	-	35,599,482
Improvements other than buildings	271,594,546	4,090,227	-	275,684,773
Equipment	<u>136,407,206</u>	<u>11,722,844</u>	<u>4,374,214</u>	<u>143,755,836</u>
	<u>486,623,102</u>	<u>53,985,143</u>	<u>4,374,214</u>	<u>536,234,031</u>
<b>Less accumulated depreciation:</b>				
Buildings	28,579,091	1,995,668	-	30,574,759
Infrastructure	-	593,325	-	593,325
Improvements other than buildings	142,632,206	9,193,611	-	151,825,817
Equipment	<u>105,063,645</u>	<u>12,240,012</u>	<u>4,072,424</u>	<u>113,231,233</u>
	<u>276,274,942</u>	<u>24,022,616</u>	<u>4,072,424</u>	<u>296,225,134</u>
Capital Assets being depreciated, net	<u>210,348,160</u>	<u>29,962,527</u>	<u>301,790</u>	<u>240,008,897</u>
Total capital assets, net	<u>\$ 628,724,761</u>	<u>\$ 72,906,862</u>	<u>\$ 10,034,130</u>	<u>\$ 691,597,493</u>

The construction work in progress consists of expenditures made in connection with the Capital Projects, Infrastructure Tax and Quality of Life Funds. The major amounts are for a new community center, renovating the Sport Stadium, the Balloon Fiesta Park facility development, a new police crime lab, police mini-substations, the new Explora Science Center, and other facilities.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 8 CAPITAL ASSETS, continued**

**B. Business-type activities**

	<u>Balance</u> <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30</u>
<b>Assets not being depreciated:</b>				
Land	\$ 59,100,337	\$ 12,372,738	\$ 57,134	\$ 71,415,941
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other	640,546	-	-	640,546
Construction work in progress	<u>52,477,427</u>	<u>25,805,535</u>	<u>26,389,408</u>	<u>51,893,554</u>
Total assets, not being depreciated	<u>119,848,387</u>	<u>38,178,273</u>	<u>26,446,542</u>	<u>131,580,118</u>
<b>Assets being depreciated:</b>				
Buildings and improvements	253,543,551	19,221,246	-	272,764,797
Runways and improvements	242,121,821	228,806	-	242,350,627
Improvements other than buildings and runways	1,266,160,920	45,923,246	-	1,312,084,166
Equipment	<u>140,779,106</u>	<u>15,432,977</u>	<u>1,315,135</u>	<u>154,896,948</u>
Total assets, being depreciated	<u>1,902,605,398</u>	<u>80,806,275</u>	<u>1,315,135</u>	<u>1,982,096,538</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	121,309,553	9,742,215	-	131,051,768
Runways and improvements	111,318,315	13,037,263	-	124,355,578
Improvements other than buildings and runways	590,017,075	45,987,267	-	636,004,342
Equipment	<u>91,457,710</u>	<u>11,892,072</u>	<u>1,201,174</u>	<u>102,148,608</u>
Total accumulated depreciation	<u>914,102,653</u>	<u>80,658,817</u>	<u>1,201,174</u>	<u>993,560,296</u>
Capital assets being depreciated, net	<u>988,502,745</u>	<u>147,458</u>	<u>113,961</u>	<u>988,536,242</u>
Total capital assets, net	<u>\$ 1,108,351,132</u>	<u>\$ 38,325,731</u>	<u>\$ 26,560,503</u>	<u>\$ 1,120,116,360</u>

The construction work in progress consists of expenditures made in connection with the Joint Water and Sewer Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for Water and Sewer System improvements, parking structures, renovation of old Albuquerque High School, Solid Waste Disposal Facilities, and Transit Intermodal Facilities.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 8 CAPITAL ASSETS, continued**

**C. Depreciation expense**

Depreciation expense was charged to functions/programs of the City as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 2,475,389
Public safety:	
Corrections	275,373
Fire protection	1,509,431
Police protection	6,659,141
Culture and recreation	9,728,125
Public works	816,001
Highways and streets	682,135
Health	568,834
Human services	1,141,047
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets	167,141
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 24,022,617</u></b>
<b><u>Business-type activities:</u></b>	
Major funds:	
Airport	\$ 28,417,108
Joint Water and Sewer	39,355,206
Refuse Disposal	4,692,728
Housing Authority	2,177,278
Non major funds:	
Golf Course	439,817
Parking Facilities	920,204
Transit	4,656,476
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 80,658,817</u></b>

**D. Capitalized interest**

Changes to the capital assets for the business-type activities for 2002 include the following amounts of capitalized interest:

	<u>Total Interest</u>	<u>Interest Related to Tax-Exempt Borrowing</u>	<u>Net</u>
Interest expense	\$ 28,457,583	\$ 6,314,003	\$ 22,143,580
Interest income	6,092,226	1,560,963	4,531,263
Capitalized interest		<b><u>\$ 4,753,040</u></b>	



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 9 RESTRICTED ASSETS**

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 20002 is as follows:

**A. Governmental Activities**

Capital Acquisitions Fund	\$
<u>68,942,490</u>	

**B. Business-type activities**

Airport Fund	\$ 69,403,065
Joint Water and Sewer Fund	76,966,817
Refuse Disposal Fund	15,310,119
Housing Authority Fund	454,847
Other Enterprise Funds	<u>22,609,004</u>
Totals	<u>\$ 184,743,852</u>

**NOTE 10 LONG-TERM OBLIGATIONS**

**A. Governmental activities**

Bonded obligations of the City consists of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations is a water rights contract, notes payable, claims and judgments, and accrued vacation and sick leave pay. The City has complied with all revenue bond ordinance requirements for maintaining specific reserves for future debt service. All variable rate bonds are callable at 100% after 45 to 60 days notification to bondholders.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2002, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 189,010,000	\$ 92,425,000	\$ 71,570,000	\$ 209,865,000	\$ 49,810,000
Sales Tax Revenue Bonds	162,450,017	-	2,660,000	159,790,017	2,730,000
Sales Tax Revenue Notes	700,000	-	-	700,000	126,313
Special Assessment Bonds and Notes					
With Governmental Commitment	22,829,561	3,919,861	4,341,948	22,407,474	4,355,963
Accrued vacation and sick leave pay	23,193,039	2,810,240	-	26,003,279	15,117,241
Accrued claims payable	33,812,432	15,939,186	10,453,105	39,298,513	13,154,499
Less deferred amounts:					
Unamortized Bond Discounts	(18,300,302)	-	(1,246,947)	(17,053,355)	-
Unamortized Bond Premiums	-	<u>2,758,041</u>	<u>517,777</u>	<u>2,240,264</u>	-
	413,694,747	117,852,328	88,295,883	443,251,192	85,294,016
Current portion of					
long-term obligations	<u>(99,631,249)</u>	<u>-</u>	<u>(14,337,233)</u>	<u>(85,294,016)</u>	<u>-</u>
<b>Total</b>	<u>\$ 314,063,498</u>	<u>\$ 117,852,328</u>	<u>\$ 73,958,650</u>	<u>\$ 357,957,176</u>	<u>\$ 85,294,016</u>

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City.

On September 1, 2001, the City issued \$46,315,000 of General Obligation General Purpose bonds, Series 2001A, with an average coupon rate of 4.5%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and are being used to finance improvements for parks, libraries, museum, facilities, transit, streets and the biological park. The bonds also will be used to acquire equipment for fire and police protection.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**A. Governmental activities, continued**

Also on September 1, 2001, the City issued \$4,510,000 of General Obligation Storm Sewer bonds, Series 2001B, with a coupon rate of 4.37%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

On December 1, 2001, the City issued \$10,000,000 of General Obligation Taxable Baseball Stadium bonds, Series 2001C. Interest coupon rates average 4.76%. The proceeds were deposited into the Capital Projects Acquisition Fund and are being used to finance a portion of the modernization, expansion and reconstruction of the City's currently existing municipal baseball stadium. The total cost for the City's portion of the project is estimated at \$25,000,000. The additional funds to complete the project are being provided by two loans from the New Mexico Finance Authority for \$6,000,000 (see subsequent event note 25) and \$9,000,000. Also see terms of the agreement in commitment note 24.

On February 1, 2002, the City issued \$6,000,000 of General Obligation Equipment bonds, Series 2002A, with a coupon rate of 2.50%. The proceeds were deposited into the Capital Acquisition Fund and will be used to purchase equipment for police and fire protection. The bonds matured on July 1, 2002.

On February 1, 2002, the City issued \$20,000,000 of General Obligation General Purpose bonds, Series 2002B, with an average coupon rate of 4.34%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used to provide and improve public libraries and for street improvements.

Also, on February 1, 2002, the City issued \$5,600,000 of General Obligation Storm Sewer bonds, Series 2002C, with a coupon rate of 4.50%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

General obligation bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
March 1, 1994 Storm Sewer	\$ 9,000,000	5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	4,000,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	10,100,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Storm Sewer	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 General Purpose	12,620,000	5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	8,000,000	3.85/3.95%	July 1, 2006	Not callable
February 1, 1999 Storm Sewer	4,760,000	4.00/4.05%	July 1, 2008	100% beginning July 1, 2006
August 1, 1999 General Purpose	14,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	2,850,000	5.00%	July 1, 2005	Not callable
July 1, 2000 Storm Sewer	6,750,000	5.00%	July 1, 2010	100% beginning July 1, 2008
September 1, 2001 General Purpose	34,315,000	4.00/5.00%	July 1, 2010	100% beginning July 1, 2009
September 1, 2001 Storm Sewer	4,510,000	4.375%	July 1, 2011	100% beginning July 1, 2009
December 1, 2001 Taxable Baseball Stadium	8,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	19,000,000	2.50/5.00%	July 1, 2009	Not callable
February 1, 2002 Storm Sewer	5,600,000	4.50%	July 1, 2011	100% beginning July 1, 2010
	<u>\$ 160,055,000</u>			

The Constitution of the State of New Mexico limits the amount of general purpose government obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2002, based on the most recent assessed taxable valuation of \$7,423,666,498, the City may issue an additional \$184,061,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2002, are Storm Sewer bonds in the amount of \$47,170,000 that are not subject to the legal debt limit.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**A. Governmental activities, continued**

Sales Tax Revenue Bonds of the City are secured by a pledge of gross receipts tax (sales tax) revenues. In addition, the 1996 Refunding issue is secured by limited amounts of parking and airport revenues.

Sales tax revenue bonds and notes outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
November 18, 1991 B				
Refunding and Improvement	\$ 18,251,661	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	5,885,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,455,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	10,885,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,465,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	25,600,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
April 27, 2001, Note	<u>573,688</u>	3.02/3.62%	July 1, 2006	None
	<u>\$140,580,349</u>			

Special Assessment Debt and Notes Payable with Governmental Commitment is secured by pledges of revenues from special assessments levied. The outstanding bonds and notes of certain water and sewer improvement districts are also secured by surplus revenues of the joint water and sewer system, subordinate to bonds and obligations payable solely or primarily from such revenues. Outstanding bonds and notes of paving and sidewalk improvement districts are additionally secured by pledges of one-half of motor fuel tax revenues of the City, to be used only in the event that revenues from assessments and interest levied are not sufficient to meet debt service requirements. All Special Assessment debt is callable at 100% on any semi-annual interest payment date.

On October 16, 2001, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 222. The loan payable for \$2,605,539 has an average interest rate of 3.67% and matures on July 1, 2011. The proceeds are being used to finance the construction of pavement, sanitary sewer lines, storm sewer lines and water lines. The balance due at June 30, 2002 is \$2,382,167.

On May 24, 2002, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 216. The loan payable for \$1,314,322 has an average interest rate of 3.56% and matures on July 1, 2012. The proceeds are being used to finance the construction of storm sewer lines and water lines. The balance due at June 30, 2002 was \$1,314,322.

Special Assessment debt and notes in the amount of \$18,051,511 is outstanding at June 30, 2002. Interest rates range from 1.82% to 7.11%, and maturities extend through January 1, 2015.

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes payable to the Federal Financing Bank were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations states that the bonds and notes do not constitute a debt by the HA and accordingly these have not been reported in the accompanying financial statements. At 6/30/2002, the outstanding balance of the revenue bonds was \$1,145,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,727,923 with annual payments required through 2017.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Business-type activities**

The changes in the Business-type activities obligations for the year ended June 30, 2002, are as follows:

	<u>Outstanding</u>				<u>Payable in one year</u>
	<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>	
Revenue bonds	\$ 566,220,000	\$ 72,550,000	\$ 88,575,000	\$ 550,195,000	\$ 38,910,000
Loans	49,104,448	3,092,837	3,060,280	49,137,005	3,384,676
Accrued vacation and sick leave pay	5,898,990	815,740	-	6,714,730	4,297,381
Less deferred amounts:					
Deferred refunding costs	(12,080,292)	(2,300,595)	(2,470,251)	(11,910,636)	-
Unamortized bond premiums	5,765,165	1,242,786	950,002	6,057,949	-
Unamortized bond discounts	(11,660,259)	463,660	(1,608,193)	(9,588,406)	-
	<u>603,248,052</u>	<u>75,864,428</u>	<u>88,506,838</u>	<u>590,605,642</u>	<u>46,592,057</u>
Current portion	(41,955,618)	-	4,636,439	(46,592,057)	-
Business-type activity long-term obligations	<u>\$ 561,292,434</u>	<u>\$ 75,864,428</u>	<u>\$ 93,143,277</u>	<u>\$ 544,013,585</u>	<u>\$ 46,592,057</u>

Airport Revenue Bonds are secured by pledges of net revenues of the airport.

On August 1, 2001, the City issued \$42,550,000 in Airport Refunding Revenue Bonds. The series 2001 Bonds have a weighted average interest rate of 4.77%, and were issued with a lien on net revenues that is on parity with the lien of the City's outstanding Airport Revenue Bonds. The net proceeds of \$43,334,992 (after payment of underwriting fees and other issuance costs) were used to refund \$46,025,000 of the Series 1995A Revenue Bonds. The bond proceeds, together with an additional \$4,900,063 were deposited with an escrow agent who redeemed the Series 1995A Bonds within 90 days after closing. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,300,595. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The Fund completed the refunding to reduce total debt service payments over the next 14 years by \$9,849,298 and to obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$4,545,110.

Airport Revenue bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
January 1, 1995 B	685,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995 Refunding	53,000,000	a *	July 1, 2014	100% on any interest payment date
January 31, 1996 A	12,400,000	a	July 1, 2017	100% on any interest payment date
April 3, 1997 Refunding	29,335,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	40,785,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	6,800,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	40,000,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	<u>42,330,000</u>	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
Total outstanding	225,335,000			
Unamortized discounts	889,783			
Deferral on refunding	<u>(6,758,173)</u>			
Net outstanding	<u>\$ 219,466,610</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Enterprise, continued**

**Golf Course Revenue Bonds** are secured by a pledge of net golf course revenues and a pledge of revenues received by the City from gross receipts tax revenues.

Golf Course Revenue bonds outstanding at June 30, 2002 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 2,295,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Total outstanding	2,295,000			
Unamortized discounts	(5,160)			
Net outstanding	<u>\$ 2,289,840</u>			

**Joint Water and Sewer Revenue Bonds** are secured by a pledge of net revenues derived from the operations of the joint water and sewer system.

On December 19, 2001, the City issued \$30,000,000 in Joint Water and Sewer System Revenue Bonds with an average interest rate of 4.22%. The proceeds from the bonds will be used to extend, repair, replace and otherwise improve the City's water and sanitary sewer system.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
June 1, 1990 A	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
January 1, 1994 A	27,375,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	22,360,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	34,670,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	83,400,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	19,735,000	5.00%	July 1, 2006	Not callable
December 1, 2001	<u>29,900,000</u>	3.00/4.50%	July 1, 2013	100% beginning July 1, 2010
Total outstanding	227,431,710			
Unamortized discounts	4,581,746			
Deferral on refunding	(4,481,892)			
Accreted interest	<u>13,311,690</u>			
Net outstanding	<u>\$ 240,843,254</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds, are the June 1, 1990A Issue, capital appreciation bonds in the principal amount of \$9,991,710. No payment of principal or interest is due on these bonds until the year 2003. In accordance with the bond agreement the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of \$13,311,690 has accreted as of June 30, 2002, and; accordingly, the interest expense and related liability are included in the financial statements of the Joint Water and Sewer Fund. The accreted interest is included as a reduction of the undesignated unreserved deficit.

**Joint Water and Sewer Loan Agreements**

A **Water Rights Contract** with the United States Government was entered into by the City during the fiscal year ended June 30, 1963 to pay a portion of the construction, operation, and maintenance costs for the San Juan-Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2002, was \$21,506,937.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Business-type activities, continued**

A line of credit agreement with the New Mexico Environment Department, was entered into by the City during the year ended June 30, 1991. Two additional agreements were entered into during the year ended June 30, 1994. These agreements provide that the City may draw a total of \$21,000,000 for the purpose of defraying the cost of extending, enlarging, bettering, and repairing and otherwise improving the waste water facilities of the City's municipal joint water and sewer system.

On October 1, 1994, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$7,907,582 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Annual payments are \$567,926, with a final payment due on July 1, 2013. The balance due at June 30, 2002, was \$5,254,807.

On October 5, 1995, the City executed a promissory note with the New Mexico Environment Department that converted an existing \$4,000,000 line of credit agreement. The note payable of \$2,521,846 (total draws on the line of credit at the time of project completion) had an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$1,444,178.

On July 1, 1997, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$9,000,000 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$5,154,003.

On June 14, 2000, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$15,000,000 to a long-term note payable with an interest rate of 4% with annual payments of \$1,587,627. Final payment is due on July 1, 2012. The balance due at June 30, 2002, was \$12,877,080.

On April 12, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$450,000 with an interest rate of 4.088%. The proceeds from the loan will be used to construct chemical storage facilities used as part of the City's drinking water purification system.

On May 10, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$2,450,000 with an interest rate of 3.0%. The proceeds from the loan will be used for the construction of a drinking water purification system in the City's water and wastewater utility system.

Refuse Disposal Revenue Bonds are secured by a pledge of net revenues from refuse disposal operations.

Refuse Disposal Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 1,610,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	10,180,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,060,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,965,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,820,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	33,635,000			
Unamortized discounts	279,773			
Deferral on refunding	<u>(670,570)</u>			
Net outstanding	<u>\$ 33,244,203</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 10 LONG-TERM DEBT, continued**

**C. Summary of Annual Debt Service Requirements**

The annual debt service requirements on the obligations outstanding at June 30, 2002 are as follows:

<u>Year ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 35,531,347	\$ 15,039,335	\$ 44,193,262	\$ 25,878,293
2004	27,843,400	13,406,878	46,626,363	23,919,498
2005	29,780,626	12,130,296	48,853,485	21,729,191
2006	27,430,453	10,699,958	46,210,387	22,614,840
2007	23,866,685	9,419,570	45,095,294	24,345,054
2008-2012	76,803,680	33,253,014	183,629,862	60,751,765
2013-2017	35,109,071	21,454,458	92,970,070	16,727,773
2018-2022	44,046,598	10,913,357	28,895,047	2,245,199
2023-2025	18,275,000	2,033,188	1,359,947	41,424
<b>Total</b>	<b>\$ 318,686,860</b>	<b>\$ 128,350,054</b>	<b>\$ 537,833,717</b>	<b>\$ 198,253,037</b>

**D. Arbitrage**

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2002, the City has set aside an amount of \$1,982,207 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

**NOTE 11 DEMAND BONDS**

Included in long-term debt (Notes 10A and 10B) is \$139,255,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 10C assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

The holders of the bonds may demand payment at a price equal to principal plus accrued interest upon delivery to the City's remarketing agent. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. If a remarketing agent is unable to resell any tendered bonds, the City has a non-cancelable "take out" agreement that would be exercised. The City is required to pay an annual fee for the "take out" agreements. The remarketing agent receives a fee for their services.

At June 30, 2002, no amounts were drawn on the "take out" agreements, which are as follows:

**Sales Tax Revenue Bonds March 7, 1995**

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2004
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$1,455,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 11 DEMAND BONDS, continued**

**Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds May 3, 1995**

<b>Remarketing Agent</b>	<b>Smith Barney, Inc.</b>
<b>Terms of "Take-Out" Agreement:</b>	
<b>Purchaser</b>	<b>Bayerische Hypo-und Vereinsbank, AG</b>
<b>Method of Purchase</b>	<b>Direct Pay Letter of Credit</b>
<b>Expiration Date</b>	<b>November 30, 2003</b>
<b>Annual Fee</b>	<b>.25% on the stated amount of the letter of credit</b>
<b>Stated Amount at Time of Issuance</b>	<b>\$67,963,699 (Principal outstanding plus 35 days of interest at 15%)</b>
<b>Bonds Outstanding at 6/30/2002</b>	<b>\$53,000,000</b>

**Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds January 31, 1996**

<b>Remarketing Agent</b>	<b>Smith Barney, Inc.</b>
<b>Terms of "Take-Out" Agreement:</b>	
<b>Purchaser</b>	<b>Bayerische Landesbank</b>
<b>Method of Purchase</b>	<b>Direct Pay Letter of Credit</b>
<b>Expiration Date</b>	<b>January 31, 2001</b>
<b>Annual Fee</b>	<b>.29% on the stated amount of the letter of credit</b>
<b>Stated Amount at Time of Issuance</b>	<b>\$39,961,644 (Principal outstanding plus 60 days of interest at 15%)</b>
<b>Bonds Outstanding at 6/30/2002</b>	<b>\$12,400,000</b>

**Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000 A & B May 4, 2000**

<b>Remarketing Agent</b>	<b>Dain Rauscher, Inc.</b>
<b>Insured by</b>	<b>Ambac Assurance Inc.</b>
<b>Terms of "Take-Out" Agreement:</b>	
<b>Purchaser</b>	<b>Morgan Guaranty Trust Company of New York</b>
<b>Method of Purchase</b>	<b>Liquidity Facility</b>
<b>Expiration Date</b>	<b>May 3, 2005</b>
<b>Annual Fee</b>	<b>.175% on the stated amount of the liquidity facility</b>
<b>Stated Amount at Time of Issuance</b>	<b>\$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)</b>
<b>Bonds Outstanding at 6/30/2002</b>	<b>\$46,800,000</b>

**Variable Rate Taxable Gross Receipts Tax Improvement Bonds, Series 2000A, January 20, 2000**

<b>Remarketing Agent</b>	<b>Dain Rauscher, Inc.</b>
<b>Insured by</b>	<b>MBIA Insurance Corporation</b>
<b>Terms of "Take-Out" Agreement:</b>	
<b>Purchaser</b>	<b>Bank of America, N.A.</b>
<b>Method of Purchase</b>	<b>Liquidity Facility</b>
<b>Expiration Date</b>	<b>Jan 20, 2005</b>
<b>Annual Fee</b>	<b>.11% on the stated amount of the liquidity facility</b>
<b>Stated Amount at Time of Issuance</b>	<b>\$27,733,333 (Principal outstanding plus 200 days of interest at 15%)</b>
<b>Bonds Outstanding at 6/30/2002</b>	<b>\$25,600,000</b>

**NOTE 12 REFUNDED BONDS**

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2002, is as follows:

<b>Sales Tax Revenue Bonds</b>	<b><u>\$21,891,000</u></b>
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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 13 CONDUIT BONDS**

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees which monitor amounts due by the borrowers and pay the principal and interest as due on such conduit bonds from the borrowers payments. The City has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due.

**Industrial Revenue Bonds**

As of June 30, 2002, there were seventy-three series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-four series issued after July 1, 1995, is \$1.2 billion. The aggregate principal amount payable for the forty-two series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$644.7 million.

**Metropolitan Redevelopment Bonds**

As of June 30, 2002, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$6.85 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$24,875,000.

**NOTE 14 DEFICIT FUND EQUITIES**

**Special Revenue Funds**

The Operating Grants Fund at June 30, 2002 has a deficit unreserved fund balance of \$537,694 while the deficit total fund balance is \$513,068. The deficit results from expenditures made in anticipation of future revenue from sources other than grants.

**Capital Projects Funds**

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit fund balance of the Community Services purpose at June 30, 2002, is \$174,606.

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance of the Quarter Cent Storm Drain purpose at June 30, 2002, was \$83,892.

**Internal Service Funds**

The deficit fund net assets of the Risk Management Fund increased to \$14,109,749 at June 30, 2002 from the \$13,000,206 deficit fund net assets at June 30, 2001. The deficit at June 30, 2001, as restated (note 23), was increased by \$1,445,351 to record the impairment of an asset acquired in a claim settlement. The increase in deficit net assets for the year ended June 30, 2002 was primarily due to an unanticipated judgment on a claim for approximately \$4.25 million in connection with an employee dismissal suit filed against the City. The City is appealing the judgment. This amount is offset by a judgment of \$3.7 million in cash and reduction of liabilities for losses that was awarded in favor of the City against an insurance carrier. The City has implemented a five year recovery plan that will reduce the deficit net assets beginning in the fiscal year ending June 30, 2003 by increasing charges to other funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 15 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2002, were as follows:

From	To		
General Fund *	Corrections and Detention Fund *	\$	17,057,000
General Fund *	Operating Grants Fund		3,573,436
General Fund *	Gas Tax Fund		714,000
General Fund *	Capital Acquisition Fund *		6,391,000
General Fund *	Sales Tax Refunding Debt Service Fund		801,000
General Fund *	City/County Building Debt Service Fund		95,000
General Fund *	Transit Fund		16,748,000
General Fund *	Acquisition and Management of Open Space Expenditures Fund		1,237,000
Recreation Fund	General Fund *		315,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund		4,522,000
Corrections and Detention Fund *	Joint Water & Sewer Capital Fund *		360,551
City/County Projects Fund	General Fund *		82,000
City/County Facilities Fund	City/County Building Debt Service Fund		1,200,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund		572,000
Capital Acquisition Fund *	General Fund *		1,911,000
Capital Acquisition Fund *	Transit Fund		5,459,148
Infrastructure Tax Fund	Capital Acquisition Fund *		12,500
Infrastructure Tax Fund	Transit Fund		4,925,009
Joint Water & Sewer Fund *	General Fund *		4,962,497
Parking Facilities Fund	General Fund *		128,000
Refuse Disposal Fund *	General Fund *		1,024,323
Transit Fund	General Fund *		142,907
Golf Course Fund	General Fund *		50,902
Risk Management Fund	General Fund *		269,000
Acquisition and Management of Open Space Permanent Fund	Acquisition and Management of Open Space Expenditures Fund		1,628,921
Urban Enhancement Permanent Fund	Urban Enhancement Expenditures Fund		<u>406,872</u>
<b>Total transfers</b>			<u>\$ 74,589,066</u>
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Funds"		\$ 47,096,358	\$ 68,280,437
Exhibit A-10, "Statement of Revenues, Expenses, and Changes in Net Assets All Proprietary Funds"		<u>27,492,708</u>	<u>6,308,629</u>
<b>Total transfers</b>		<u>\$ 74,589,066</u>	<u>\$ 74,589,066</u>

\* Major fund, all others are non-major funds

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 16 SEGMENT INFORMATION**

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2002, (in thousands of dollars) is as follows:

	<u>Golf Course Fund</u>	<u>Parking Facilities Fund</u>	<u>Transit Fund</u>
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets:</b>			
Current assets	\$ 226	\$ 286	\$ 3,462
Restricted assets	2,275	8,916	11,418
Capital assets	6,113	31,240	38,771
Other assets	97	326	-
Total assets	<u>8,711</u>	<u>40,768</u>	<u>53,651</u>
<b>Liabilities:</b>			
Current liabilities	157	121	1,528
Liabilities payable from restricted assets	233	1,387	2,570
Bonds and other long-term liabilities	2,370	45	361
Advance from other funds	-	25,600	-
Total liabilities	<u>2,760</u>	<u>27,153</u>	<u>4,459</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,755	12,701	38,771
<b>Net assets restricted for:</b>			
Debt service	55	897	-
Construction	1,152	(103)	8,848
Unrestricted net assets (deficit)	<u>(11)</u>	<u>120</u>	<u>1,573</u>
Total net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
Operating revenues	\$ 3,981	\$ 3,381	\$ 2,978
Depreciation and amortization	(457)	(953)	(4,656)
Other operating expenses	<u>(3,604)</u>	<u>(2,613)</u>	<u>(25,967)</u>
Operating income (loss)	(80)	(185)	(27,645)
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	78	659	339
Interest and other debt related expenses	(71)	(476)	-
Other	44	1	1,842
Capital contributions	-	473	8,695
Operating transfers in	-	-	27,132
Operating transfers out	<u>(51)</u>	<u>(128)</u>	<u>(143)</u>
Change in net assets	(80)	344	10,220
Beginning net assets	<u>6,031</u>	<u>13,271</u>	<u>38,972</u>
Ending net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
<b>Net cash provided (used) by:</b>			
Operating activities	\$ 379	\$ 715	\$ (21,560)
Noncapital financing activities	(51)	(848)	27,968
Capital and related financing activities	(1,069)	(13,897)	(5,013)
Investing activities	<u>78</u>	<u>758</u>	<u>339</u>
Net increase (decrease)	(663)	(13,272)	1,734
Beginning cash and cash equivalents	<u>2,957</u>	<u>22,395</u>	<u>7,485</u>
Ending cash and cash equivalents	<u>\$ 2,294</u>	<u>\$ 9,123</u>	<u>\$ 9,219</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 17 DEFINED BENEFIT PENSION PLAN**

Substantially all of the City of Albuquerque's full-time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico, a cost-sharing, multiple-employer public employee retirement plan. PERA provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. A publicly available financial report that includes financial statements and required supplementary financial information for PERA can be obtained by correspondence to Comptroller, Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

**RETIREMENT ELIGIBILITY** - An employee may retire when 25 or more years of service are attained at any age (20 years for Police and Fire) or under the following age options: age 60 with 20 or more years of service, age 61 with 17 or more years of service, age 62 with 14 or more years of service, age 63 with 11 or more years of service, age 64 with 8 or more years of service, or age 65 with 5 or more years of service.

**RETIREMENT BENEFITS** - An employee's retirement benefit is based on a formula which considers credit for years of service multiplied by a percentage factor and is then applied against the employee's average highest three-year salary. Retirement benefits are vested upon reaching five years of service. The plan also provides death and disability benefits. Benefits are established by State statute.

**FUNDING POLICY** - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2002.

<u>Group Covered</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General - Management, Blue Collar and White Collar	3.29%	\$ 5,066	19.01%	\$ 29,298
General - Bus Drivers	13.15%	924	9.15%	643
General - Other	7.00%	192	7.00%	192
Police	16.30%	6,787	18.50%	7,703
Fire	15.20%	4,199	20.25%	5,508
		<u>\$ 17,168</u>		<u>\$ 43,344</u>

The total required contributions and amounts actually paid (in thousands of dollars) in prior years is as follows:

<u>Fiscal year ended June 30</u>	<u>Employee</u>	<u>Employer</u>
2001	\$16,058	\$41,251
2000	15,777	40,480

If a member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

The payroll for employees covered by PERA for the year ended June 30, 2002, was \$231,423,011; the total payroll for all employees of the City of Albuquerque was \$257,562,507.

**NOTE 18 POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits described in Note 17, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

**LIFE INSURANCE BENEFITS:** Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed \$25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2002, were approximately \$129,617. The number of retired employees covered under the life insurance benefit was 2,824 at June 30, 2002, and the amount of life insurance coverage for these retired employees was \$49,852,500.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 18 POST-EMPLOYMENT BENEFITS, continued**

**RETIREE HEALTH CARE ACT CONTRIBUTIONS:** The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments by eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act or the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible retirees are those who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf.

Each participating employer makes contributions to the fund in the amount of one percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to one-half of one percent of the employee's annual salary. Each participating retiree pays a monthly premium.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted \$2,314,230 in employer contributions and \$1,157,115 in employee contributions in fiscal year ended June 30, 2002.

**NOTE 19 DEFERRED COMPENSATION**

The City of Albuquerque offers its employees three deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make matching contributions to these plans. All plans comply with the provisions of the Internal Revenue Code which provides that all assets and income of the plan shall be held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,196,496 reported as other liabilities payable from restricted assets at June 30, 2002, represents the cumulative amount reported to date based on the use of 13% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of \$7,051,333 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2002. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,516,250 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

**NOTE 21 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real or personal property damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. The coverage on the Corrections and Detention Center is provided by private insurance with a limit of \$1,000,000 per occurrence subject to a maximum of \$2,000,000 with a \$100,000 deductible on each claim. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2002 and is included in the restricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The amounts and changes in the Fund's claims liability is reported in Note 10 - Long-term Obligations.

**NOTE 22 DISCONTINUED FUND**

In fiscal year 2002, the City determined that the Joint Partnership Training Act fund was no longer needed. The program associated with this fund is now provided by the County of Bernalillo.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS**

The following reports the changes in the financial statements previously issued as of June 30, 2001:

During FY2002, the City determined that the cost of land acquired in a claim settlement had been improperly reported at a cost of \$3,375,351. However, the cost exceeded the appraised value of the land, which was impaired due to contamination that seeped from an adjacent inactive landfill property owned by the City. The adjustment of \$1,445,351 increased the deficit net assets of the Risk Management Fund, an internal service fund, from \$11,554,855 to \$13,000,206.

The following schedule reports the changes (*amounts in thousands*) that were made to correct for errors and to comply with the provisions of GASB Statement No. 34:

	As Reported	Reclassifications		Prior Period Adjustments	Fund Balances / Net Assets
		Major Funds	Fiduciary Funds		
			(1)	(2)	
<b>Fund balances, June 30, 2001:</b>					
General Fund	\$ 40,183	\$ -	\$ -	\$ -	\$ 40,183
<b>Reclassified as Major Funds:</b>					
Corrections and Detention Fund	-	(2,033)	-	-	(2,033)
General Obligations Debt Service Fund	-	10,707	-	-	10,707
Capital Acquisition Fund	-	82,344	-	2,945	85,289
Special Revenue Funds	19,727	2,033	2,683	496	24,939
Debt Service Funds	41,661	(10,707)	-	-	30,954
Capital Projects Funds	106,827	(82,344)	-	-	24,483
Fiduciary Funds	38,947	-	(38,947)	-	-
Permanent Funds	-	-	36,264	-	36,264
<b>Total Fund Balances Governmental Funds, as restated</b>	<b>\$ 247,345</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,441</b>	<b>250,786</b>
<b>Changes to report balances - governmental activities:</b>					
Capital Assets (3)					627,672
Long-term obligations (4):					
Bonds and notes payable					(281,153)
Net assets - Internal Service Funds, as restated (5)					(5,759)
Long-term revenues / expenses (6)					
Revenues:					
Property taxes					8,878
Gross receipts taxes					26,449
Other taxes					643
Expenses:					
Accrued vacation and sick leave pay					(22,568)
Accrued arbitrage payable					(3,716)
<b>Net assets - governmental activities</b>					<b>\$ 601,232</b>

(1) The following fiduciary funds were reclassified as follows:

**Reclassified as special revenue funds:**

Acquisition and Management of Open Space Expendable Trust Fund with a fund balance of \$99,920 was renamed as the Acquisition and Management of Open Space Expenditures Fund.

Urban Enhancement Expendable Trust Fund with a fund balance of \$2,583,586 was renamed as the Urban Enhancement Expenditures Fund.

**Reclassified as permanent funds:**

Acquisition and Management of Open Space Nonexpendable Trust Fund with a fund balance of \$28,614,139 was renamed as the Acquisition and Management of Open Space Permanent Fund.

Urban Enhancement Nonexpendable Trust Fund with a fund balance of \$7,649,668 was renamed as the Urban Enhancement Permanent Fund.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS, continued**

(2) The fund balances of the following funds were restated as follows:

The Capital Acquisitions Fund was restated to comply with the provisions of the GASB Statement No. 34 and GASB Interpretation No. 6. That statement and the interpretation requires that the liability for items such as accumulated arbitrage payable to the U.S. Government be recognized on a modified accrual basis in the governmental funds instead of on an accrual basis as previously reported. The amount of the adjustment was to reduce the reported liability and increase the fund balance by \$2,945,240.

The Law Enforcement Protection Fund, a special revenue fund, was restated to include a previously excluded activity of the Police Department. The increase in fund balance was \$304,743.

The Metropolitan Redevelopment Fund, a special revenue fund, was restated to correct for an error that caused an understatement of the Property Tax receivable and related revenue by \$546,084.

The Community Development Fund, a special revenue fund, was restated to correct for an error that caused an overstatement of an accrued receivable and related revenue from a Federal Agency by \$354,939.

The following adjustments to the total fund balances of the governmental funds are made in order to present the governmental activities on a economic resources measurement focus and on a full accrual basis for the statement of net assets:

- (3) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
- (4) Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.
- (5) Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal services fund are included in governmental activities in the statement of net assets. The net assets has been restated as noted in the second paragraph of this note.
- (6) Under the modified accrual basis used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available.

**NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES**

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. Accordingly, no reservation of fund balance has been created except in limited instances. These typically are for property purchases and will be re-appropriated in the ensuing year. Encumbrances that are outstanding, but not re-appropriated, are a commitment of the City and the outstanding amount is reported in the table below.

**Government activities:**

<b>Major Funds:</b>	
General Fund	\$ 1,855,885
Corrections Fund	405,822
Capital Acquisition Fund	39,998,003
Non Major Government Funds	16,848,985
Internal Service Funds	<u>1,524,350</u>
<b>Total Government Funds</b>	<b><u>\$ 60,633,045</u></b>



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2002

**NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued**

In addition, the business-type funds have uncompleted construction and other commitments that will be paid from assets restricted for construction, improvements and replacements or from operating revenues:

**Business-type activities:**

**Major Funds:**

Aviation Fund	\$ 5,832,563
Joint Water and Sewer Fund	10,258,541
Refuse Disposal Fund	682,017
Housing Authority Fund	12,700
Non Major Funds:	<u>12,323,994</u>
<b>Total Business Funds</b>	<b><u>\$ 29,109,815</u></b>

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of \$866,769 were incurred for the year ended June 30, 2002. Lease commitments for future years are as follows:

2003	\$752,604
2004	387,482
2005	391,337
2006	255,817

The City has entered into a lease agreement with Albuquerque Baseball Club, LLC. The purpose of that agreement was to outline the terms and conditions necessary to bring a Class AAA minor league baseball team to the City of Albuquerque and to lease the City's Stadium. The City is currently building a new stadium in place of the old stadium. The old stadium previously had been used for another Class AAA baseball team that elected to move to another city. The City's construction work in process at June 30, 2002 includes approximately \$4.9 million of costs incurred for the construction of the stadium. The stadium is expected to be completed by April 1, 2003, the beginning of the new baseball season. The additional cost to complete is estimated to be approximately \$21 million.

On March 2, 2002, the City entered into a long-term lease agreement with a lessee, who will manage a parking structure in the downtown area of the City. The lease is for a twenty year period. Lessee is to pay monthly a minimum rental fee that ranges from \$120,578 in the first lease year to \$562,599 per year beginning in the sixteenth year for the remaining term of the lease. As part of that lease, the lessee has the option to delay payment of up to six month's rent in any lease year. Interest will accrue for these delayed payments. The lessee is required to pay the deficiency for any lease month within thirty six months. No rental payments have been received by the City as of June 30, 2002. Lessee is required to maintain the parking structure in good condition. At the end of the lease term, the lessee will purchase the parking structure for the price of \$11,251,926 plus all interest accrued on basic rent deficiencies plus all additional rents due as stipulated in the contract to cover certain costs including credit enhancement expenses and fiscal agent fees with respect to a bond issue used for the acquisition of the parking structure by the City. Furthermore, lessee has an option to purchase the parking structure beginning after the tenth anniversary of the lease. That purchase price is the sum of all of the minimum rents due through the date of option exercise plus all of the amounts due in a similar manner required for the purchase at the end of the twenty year period.

In connection with the bond issues related to the operation of apartments managed in trust by an independent organization, the City has a contingent liability of \$16,085,333 in the event that the net revenues are not sufficient to cover the debt service on these bonds.

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City has reached a settlement with the Isleta Pueblo and the Environmental Protection Agency (EPA) granting the City a permit to operate the Wastewater Treatment Plant. This settlement obligates the City to spend between \$50 and \$60 million for capital outlay costs necessary to modify the Treatment Plant to meet the water quality standards agreed upon. On November 21, 1994, the City Council approved an increase in water rates, part of which is to be used for these capital outlay costs. The City could face additional costs of \$180 to \$190 million if the suit regarding water quality standards currently on appeal in the Tenth Circuit Court is not decided in favor of the City.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

**NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued**

The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's police officers is subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying general purpose financial statements and schedules.

The City is a defendant in a legal proceeding arising from the City's condemnation of property east of the Four Hills Subdivision. The property taken by the City is located between Four Hills and the property owned by claimants. As part of the condemnation, the claimants alleges that the City had denied them access to their property since April, 1988 until February, 2002. The claimants seek approximately \$20 million in damages. The claim is being vigorously defended, and the City expects that the award for damages will be significantly lower.

The City is a defendant in a legal proceeding arising from another condemnation of property by the City. The condemnation of property for the Westside Transit facility near the I-40 / Unser boulevard interchange was completed with the owner of the property. However, the owner of a billboard, with a lease that was vacated during the condemnation on that property, is seeking approximately one million dollars for the loss of income over the remaining thirty years of the lease. A portion of any damage claim will be covered by the Federal Transportation Agency. The City is vigorously defending its position of the claim and expects the award to the claimant to be significantly lower than the alleged damage to the owner.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

**NOTE 25 SUBSEQUENT EVENTS**

On October 4, 2002, the City entered into a Taxable Stadium Lease loan agreement with New Mexico Finance Authority for \$6,000,000. The loan will be used to finance reconstruction of the existing baseball stadium. The City began construction of the stadium with the financing of \$10,000,000 of General Obligation bonds in December 2001, and is expected to enter into another loan agreement with New Mexico Finance Authority in December 2002, for \$9,000,000 to complete the project. See notes 10 and 24.

In November 2002, a former employee of the City was awarded a judgment on a claim for approximately \$4.25 million in connection with a dismissal suit filed against the City. The City is appealing the judgment. See note 14.

In November 2002, an insurance company agreed to pay the City \$3.7 million in cash and reduction of liabilities for losses in connection with a claim filed by the City against it. See also note 14.

## **APPENDIX B**

### **CUSIP Numbers for Outstanding City Bonds**



**APPENDIX B**  
**CUSIP Numbers for Outstanding City Bonds**

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Airport 1995 B	July 2003	013538DV2	70,000.00
	July 2004	013538DW0	100,000.00
	July 2005	013538DX8	140,000.00
	July 2006	013538DY6	165,000.00
	July 2007	013538DZ3	210,000.00
Airport Refunding 1998	July 2003	013538FD0	1,640,000.00
	July 2004	013538FE8	1,705,000.00
	July 2005	013538FF5	1,780,000.00
	July 2006	013538FG3	1,850,000.00
	July 2007	013538FH1	1,955,000.00
	July 2008	013538FJ7	2,040,000.00
	July 2009	013538FK4	2,135,000.00
	July 2010	013538FL2	2,220,000.00
	July 2011	013538FM0	2,325,000.00
	July 2012	013538FN8	2,430,000.00
	July 2013	013538FP3	2,555,000.00
	July 2014	013538FQ1	2,675,000.00
	July 2015	013538FR9	2,805,000.00
	July 2016	013538FS7	2,940,000.00
	July 2017	013538FS7	3,085,000.00
	July 2018	013538FS7	3,240,000.00
July 2019	013538FS7	3,405,000.00	
Airport Refunding Revenue 1997	July 2003	013538EN9	1,100,000.00
	July 2004	013538EP4	1,170,000.00
	July 2005	013538EQ2	1,240,000.00
	July 2006	013538ER0	1,320,000.00
	July 2007	013538ES8	1,400,000.00
	July 2008	013538ET6	1,500,000.00
	July 2009	013538EU3	1,600,000.00
	July 2010	013538EV1	1,700,000.00
	July 2011	013538EW9	1,805,000.00
	July 2012	013538EX7	1,935,000.00
	July 2013	013538EA6	2,060,000.00
	July 2014	013538EA6	2,195,000.00
	July 2015	013538EA6	2,340,000.00
	July 2016	013538EB4	2,485,000.00
July 2017	013538EB4	2,655,000.00	
July 2018	013538EB4	2,830,000.00	
Airport Subordinate Lien Adjustable Tender 1995	July 2003	013538EG4	2,700,000.00
	July 2004	013538EG4	2,900,000.00
	July 2005	013538EG4	3,200,000.00
	July 2006	013538EG4	3,500,000.00
	July 2007	013538EG4	3,800,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2008	013538EG4	4,100,000.00
	July 2009	013538EG4	4,400,000.00
	July 2010	013538EG4	4,800,000.00
	July 2011	013538EG4	5,200,000.00
	July 2012	013538EG4	5,600,000.00
	July 2013	013538EG4	6,100,000.00
	July 2014	013538EG4	6,700,000.00
Airport Sub Lien 2000A	July 2003	013538FV0	300,000.00
	July 2004	013538FV0	300,000.00
	July 2005	013538FV0	300,000.00
	July 2006	013538FV0	300,000.00
	July 2007	013538FV0	300,000.00
	July 2008	013538FV0	300,000.00
	July 2009	013538FV0	300,000.00
	July 2010	013538FV0	400,000.00
	July 2011	013538FV0	400,000.00
	July 2012	013538FV0	400,000.00
	July 2013	013538FV0	400,000.00
	July 2014	013538FV0	400,000.00
	July 2015	013538FV0	400,000.00
	July 2016	013538FV0	400,000.00
July 2017	013538FV0	400,000.00	
Airport Sub Lien 2000B	July 2018	013538FV0	500,000.00
	July 2019	013538FV0	500,000.00
	July 2020	013538FV0	500,000.00
	July 2005	013538FW8	400,000.00
	July 2006	013538FW8	700,000.00
	July 2007	013538FW8	1,100,000.00
	July 2008	013538FW8	1,500,000.00
	July 2009	013538FW8	2,000,000.00
	July 2010	013538FW8	2,400,000.00
	July 2011	013538FW8	2,400,000.00
	July 2012	013538FW8	2,500,000.00
	July 2013	013538FW8	2,700,000.00
	July 2014	013538FW8	2,900,000.00
	July 2015	013538FW8	3,000,000.00
July 2016	013538FW8	3,300,000.00	
July 2017	013538FW8	3,400,000.00	
July 2018	013538FW8	3,700,000.00	
July 2019	013538FW8	3,900,000.00	
July 2020	013538FW8	3,600,000.00	
Airport Refunding Revenue 2001	July 2003	013538FY4	1,160,000.00
	July 2004	013538FZ1	1,855,000.00
	July 2005	013538GA5	2,555,000.00
	July 2006	013538GB3	3,480,000.00
	July 2007	013538GC1	3,480,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2008	013538GD9	3,480,000.00
	July 2009	013538GE7	3,480,000.00
	July 2010	013538GF4	3,830,000.00
	July 2011	013538GG2	2,770,000.00
	July 2012	013538GH0	2,920,000.00
	July 2013	013538GJ6	3,075,000.00
	July 2014	013538GK3	3,240,000.00
	July 2015	013538GL1	3,415,000.00
	July 2016	013538GM9	3,590,000.00
General Obligation General Purpose 1996A	July 2003	013518F42	2,500,000.00
	July 2004	013518F59	1,500,000.00
General Obligation Storm Sewer 1996B	July 2004	013518F67	1,000,000.00
	July 2005	013518F75	2,500,000.00
General Obligation General Purpose 1997A	July 2003	013518G66	4,200,000.00
	July 2004	013518G74	4,200,000.00
	July 2005	013518G82	1,700,000.00
General Obligation Storm Sewer 1997B	July 2005	013518G92	2,500,000.00
	July 2006	013518G24	4,200,000.00
General Obligation General Purpose 1998A	July 2003	013518H81	4,220,000.00
	July 2004	013518H99	4,200,000.00
	July 2005	013518J22	4,200,000.00
General Obligation Storm Sewer 1994 A&B	July 2003	013518E43	9,000,000.00
General Obligation Storm Sewer 1998B	July 2006	013518J30	3,350,000.00
	July 2007	013518J48	3,000,000.00
General Obligation General Purpose 1999A	July 2003	013518J97	2,000,000.00
	July 2004	013518K20	2,000,000.00
	July 2005	013518K38	2,000,000.00
	July 2006	013518K46	2,000,000.00
General Obligation Storm and Sewer 1999B	July 2007	013518K53	2,380,000.00
	July 2008	013518K61	2,380,000.00
General Obligation General Purpose 1999C	July 2003	013518L29	2,000,000.00
	July 2004	013518L37	2,000,000.00
	July 2005	013518L45	2,000,000.00
	July 2006	013518L52	2,000,000.00
	July 2007	013518L60	2,000,000.00
	July 2008	013518L78	2,000,000.00
	July 2009	013518L86	2,000,000.00
General Obligation General Purpose 2000A	July 2003	013518M36	1,200,000.00
	July 2004	013518M44	1,200,000.00
	July 2005	013518M51	450,000.00
General Obligation General Purpose 2000B	July 2005	013518N35	750,000.00
	July 2006	013518M69	1,200,000.00
	July 2007	013518M77	1,200,000.00
	July 2008	013518M85	1,200,000.00
	July 2009	013518M93	1,200,000.00
	July 2010	013518N27	1,200,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
General Obligation General Purpose 2001A	July 2003	013518N50	4,325,000.00
	July 2004	013518N68	4,320,000.00
	July 2005	013518N76	4,320,000.00
	July 2006	013518N84	4,310,000.00
	July 2007	013518N92	4,310,000.00
	July 2008	013518P25	4,310,000.00
	July 2009	013518P33	4,310,000.00
	July 2010	013518P41	4,110,000.00
General Obligation Storm Sewer 2001B	July 2010	013518P58	200,000.00
	July 2011	013518P66	4,310,000.00
General Obligation Stadium 2001C	July 2003	013518P82	1,000,000.00
	July 2004	013518P90	1,000,000.00
	July 2005	013518Q24	1,000,000.00
	July 2006	013518Q32	1,000,000.00
	July 2007	013518Q40	1,000,000.00
	July 2008	013518Q57	1,000,000.00
	July 2009	013518Q65	1,000,000.00
	July 2010	013518Q73	1,000,000.00
General Obligation General Purpose 2002B	July 2003	013518R23	2,800,000.00
	July 2004	013518R31	2,800,000.00
	July 2005	013518R49	2,800,000.00
	July 2006	013518R56	2,700,000.00
	July 2007	013518R64	2,700,000.00
	July 2008	013518R72	2,700,000.00
	July 2009	013518R80	2,500,000.00
General Obligation Storm Sewer 2002C	July 2009	013518R98	200,000.00
	July 2010	013518S22	2,700,000.00
	July 2011	013518S30	2,700,000.00
Golf Course/GRT Series 2001	July 2003	01354TAB2	200,000.00
	July 2004	01354TAC0	210,000.00
	July 2005	01354TAD8	225,000.00
	July 2006	01354TAE6	235,000.00
	July 2007	01354TAF3	250,000.00
	July 2008	01354TAG1	265,000.00
	July 2009	01354TAH9	285,000.00
	July 2010	01354TAJ5	300,000.00
	July 2011	01354TAK2	325,000.00
Gross Receipts Tax Refunding Bonds 1996	July 2003	01354HDR0	615,000.00
	July 2004	01354HDS8	1,070,000.00
	July 2005	01354HDT6	1,125,000.00
	July 2006	01354HDU3	1,180,000.00
	July 2007	01354HDV1	1,245,000.00
	July 2008	01354HDW9	1,305,000.00
	July 2009	01354HDX7	1,375,000.00
	July 2010	01354HDY5	1,445,000.00
	July 2011	01354HDZ2	1,525,000.00



Bond Issue name	D/S Month & Year	Cusip	Principal
Gross Receipts Tax Refunding Revenue 1999C	July 2014	01354PBB9	500,000.00
	July 2015	01354PBC7	2,625,000.00
	July 2016	01354PBD5	3,340,000.00
	July 2017	01354PBE3	3,520,000.00
	July 2018	01354PBF0	3,700,000.00
	July 2019	01354PBG8	3,945,000.00
	July 2020	01354BBH6	4,155,000.00
	July 2021	01354PBH6	4,290,000.00
	July 2022	01354PBH6	1,055,000.00
Gross Receipts Tax/Lodgers' Tax 1999B	July 2012	01354PAR5	310,000.00
	July 2013	01354PAS3	505,000.00
	July 2014	01354PAT1	720,000.00
	July 2015	01354PAU8	950,000.00
	July 2016	01354PAV6	1,190,000.00
	July 2017	01354PAW4	1,450,000.00
	July 2018	01354PAX2	1,735,000.00
	July 2019	01354PAY0	4,040,000.00
	July 2020	01354PAZ7	5,330,000.00
	July 2021	01354PAZ7	5,895,000.00
	July 2022	01354PBA1	6,390,000.00
	July 2023	01354PBA1	1,390,000.00
	July 2024	01354PBA1	7,380,000.00
	July 2025	01354PBA1	8,050,000.00
	Gross Receipts/Lodgers Tax 1991 B	July 2002	01354MCH2
July 2003		01354MCJ8	646,870.20
July 2004		01354MCK5	698,987.25
July 2005		01354MCL3	753,387.75
July 2006		01354MCM1	799,625.60
July 2007		01354MCN9	840,888.35
July 2008		01354MCP4	873,590.85
July 2009		01354MCQ2	905,711.00
July 2010		01354MCR0	935,844.00
July 2011		01354MCS8	875,610.00
July 2012		01354MCT6	1,122,051.00
July 2013		01354MCU3	1,039,878.00
July 2014		01354MCV1	962,791.20
July 2015		01354MCW9	897,905.40
July 2016		01354MCX7	837,400.20
July 2017		01354MCY5	780,981.60
July 2018		01354MCZ2	728,326.20
July 2019		01354MDA6	204,470.40
Gross Receipts/Lodgers Tax 1995		July 2023	01354MBG5
Gross Receipts Tax Improvement Bonds 2000 A	July 2003	01354PBK9	300,000.00
	July 2004	01354PBK9	800,000.00
	July 2005	01354PBK9	1,300,000.00
	July 2006	01354PBK9	1,900,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2007	01354PBK9	2,100,000.00
	July 2008	01354PBK9	2,200,000.00
	July 2009	01354PBK9	2,300,000.00
	July 2010	01354PBK9	2,600,000.00
	July 2011	01354PBK9	2,600,000.00
	July 2012	01354PBK9	2,800,000.00
	July 2013	01354PBK9	3,200,000.00
	July 2014	01354PBK9	3,500,000.00
Joint Water and Sewer 1990 A	July 2003	013554KH2	528,585.00
	July 2004	013554KK5	494,834.50
	July 2005	013554KL3	438,996.60
	July 2006	013554KM1	1,937,253.05
	July 2007	013554KP4	3,412,568.55
	July 2008	013554KQ2	3,179,472.40
Joint Water and Sewer 1994 A	July 2003	013554MC1	8,705,000.00
	July 2004	013554MD9	9,130,000.00
	July 2005	013554ME7	9,540,000.00
Joint Water and Sewer 1995	July 2003	013554MS6	4,035,000.00
	July 2004	013554MT4	4,225,000.00
	July 2005	013554MU1	4,430,000.00
	July 2006	013554MV9	4,695,000.00
	July 2007	013554MW7	4,975,000.00
Joint Water and Sewer 1997	July 2003	013554NC0	4,260,000.00
	July 2004	013554ND8	4,470,000.00
	July 2005	013554NE6	4,690,000.00
	July 2006	013554NF3	4,925,000.00
	July 2007	013554NG1	5,170,000.00
	July 2008	013554NH9	5,435,000.00
	July 2009	013554NJ5	5,720,000.00
Joint Water and Sewer Refunding Series 1999A	July 2003	013554NP1	6,405,000.00
	July 2004	013554NQ9	9,575,000.00
	July 2005	013554NR7	6,305,000.00
	July 2006	013554NS5	8,230,000.00
	July 2007	013554NT3	8,690,000.00
	July 2008	013554NU0	10,215,000.00
	July 2009	013554NV8	10,750,000.00
	July 2010	013554NW6	11,320,000.00
	July 2011	013554NX4	11,910,000.00
Joint Water and Sewer Refunding 2000A	July 2003	013554PA2	6,765,000.00
	July 2004	013554PB0	3,880,000.00
	July 2005	013354PC8	4,130,000.00
	July 2006	013554PD6	4,960,000.00
Joint Water and Sewer 2001	July 2003	013554PF1	100,000.00
	July 2004	013554PG9	100,000.00
	July 2005	013554PH7	2,695,000.00
	July 2006	013554PJ3	2,830,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2007	013554PK0	2,970,000.00
	July 2008	013554PL8	3,115,000.00
	July 2009	013554PM6	3,275,000.00
	July 2010	013554PN4	3,435,000.00
	July 2011	013554PP9	3,610,000.00
	July 2012	013554PQ7	3,790,000.00
	July 2013	013554PR5	3,980,000.00
Municipal Gross Receipts Tax 1992	July 2003	01354HDC3	1,040,000.00
	July 2004	01354HDD1	1,105,000.00
	July 2005	01354HDE9	1,170,000.00
	July 2006	01354HDF6	1,245,000.00
	July 2007	01354HDG4	1,325,000.00
Municipal Gross Receipts Tax 1999A	July 2003	01354PAC8	320,000.00
	July 2004	01354PAD6	335,000.00
	July 2005	01354PAE4	345,000.00
	July 2006	01354PAF1	360,000.00
	July 2007	01354PAG9	375,000.00
	July 2008	01354PAH7	395,000.00
	July 2009	01354PAJ3	415,000.00
	July 2010	01354PAK0	435,000.00
	July 2011	01354PAL8	450,000.00
	July 2012	01354PAM6	475,000.00
	July 2013	01354PAN4	495,000.00
	July 2014	01354PAP9	520,000.00
	July 2015	01354PAQ7	545,000.00
Refuse Removal and Disposal 1992	July 2003	013630BT4	525,000.00
	July 2004	013630BU1	530,000.00
	July 2005	013630BR8	555,000.00
Refuse Removal and Disposal 1995	July 2003	013630CC0	1,230,000.00
	July 2004	013630CD8	1,315,000.00
	July 2005	013630CE6	1,375,000.00
	July 2006	013630CF3	1,445,000.00
	July 2007	013630CG1	1,520,000.00
	July 2008	013630CJ5	1,605,000.00
	July 2009	013630CJ5	1,690,000.00
Refuse Removal and Disposal 1998	July 2003	013630CP1	580,000.00
	July 2004	013630CQ9	605,000.00
	July 2005	013630CR7	635,000.00
	July 2006	013630CS5	660,000.00
	July 2007	013630CT3	695,000.00
	July 2008	013630CU0	730,000.00
	July 2009	013630CV8	760,000.00
	July 2010	013630CW6	795,000.00
	July 2011	013630CX4	830,000.00
	July 2012	013630CY2	865,000.00
July 2013	013630CZ9	905,000.00	

Bond Issue name	D/S Month & Year	Cusip	Principal
Refuse Removal and Disposal 2001 A	July 2003	013630DB1	460,000.00
	July 2004	013630DC9	475,000.00
	July 2005	013630DD7	495,000.00
	July 2006	013630DE5	515,000.00
	July 2007	013630DF2	535,000.00
	July 2008	013630DG0	485,000.00
Refuse Removal and Disposal 2001 B	July 2003	013630DH8	45,000.00
	July 2004	013630DJ4	50,000.00
	July 2005	013630DK1	50,000.00
	July 2006	013630DL9	645,000.00
	July 2007	013630DM7	665,000.00
	July 2008	013630DN5	690,000.00
	July 2009	013630DP0	715,000.00
	July 2010	013630DQ8	2,525,000.00
	July 2011	013630DR6	2,655,000.00
	July 2012	013630DS4	2,780,000.00
Special Assessment District 223 1995 A	January 2015	01365RAM9	525,000.00
Special Assessment District 223 1995 B	January 2012	01365RAZ0	35,000.00
	January 2013	01365RAZ0	120,000.00
	January 2014	01365RAZ0	130,000.00
	January 2015	01365RAZ0	135,000.00
Special Assessment District 224 1999A	July 2008	01365UAJ9	260,000.00
	July 2009	01365UAK6	760,000.00
Special Assessment District 224 1999B	July 2008	01365UAU4	30,000.00
	July 2009	01365UAV2	185,000.00
Special Assessment District 224 1999C	July 2009	01365UBF6	40,000.00
Grand Total			774,360,580.30

CHANGE IN INFORMATION AND ADDRESS FORM

PLEASE FILL IN CORRECT ADDRESS AND RETURN

Name:

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Organization:

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Street address/PO Box:

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City, State, Zip:

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- Please Continue Sending Annual Information Statement to me.
- Please discontinue sending Annual Information Statement to me.
- Please email me a copy of the Annual Information Statement.

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City of Albuquerque

Treasury Division

PO Box 17

Albuquerque, NM 87103-0017



